

PLE
n to Mary

The Global Newspaper
Printed Simultaneously
in Paris, London, Zurich,
Hong Kong, Singapore,
The Hague and Marseille

HERALD INTERNATIONAL Tribune

Published With The New York Times and The Washington Post

No. 31,795

ZURICH, MONDAY MAY 13, 1985

ESTABLISHED 1887



CIA Tied To Beirut Bombing

Anti-Terror Unit Disbanded After Attack on Shiite

By Bob Woodward and Charles R. Babcock
Washington Post Service

WASHINGTON — Late last year, President Ronald Reagan approved a covert operation directing the Central Intelligence Agency to train and support several counterterrorism units for strikes against suspected terrorists before they could attack U.S. facilities in the Middle East, according to informed sources.

About four months later, members of one of those units, made up of Lebanese intelligence personnel and other foreigners, acting with CIA authorization, hired others in Lebanon to detonate a car bomb outside the Beirut residence of a militant Shiite leader believed to be behind attacks on U.S. installations, the sources said.

More than 80 persons were killed and 200 were wounded in the car bombing in a Beirut suburb on March 8. The Shiite leader escaped injury.

Faced with an indirect connection to the car bombing, officials of the CIA and in the Reagan administration quickly canceled the entire covert support operation, the sources said.

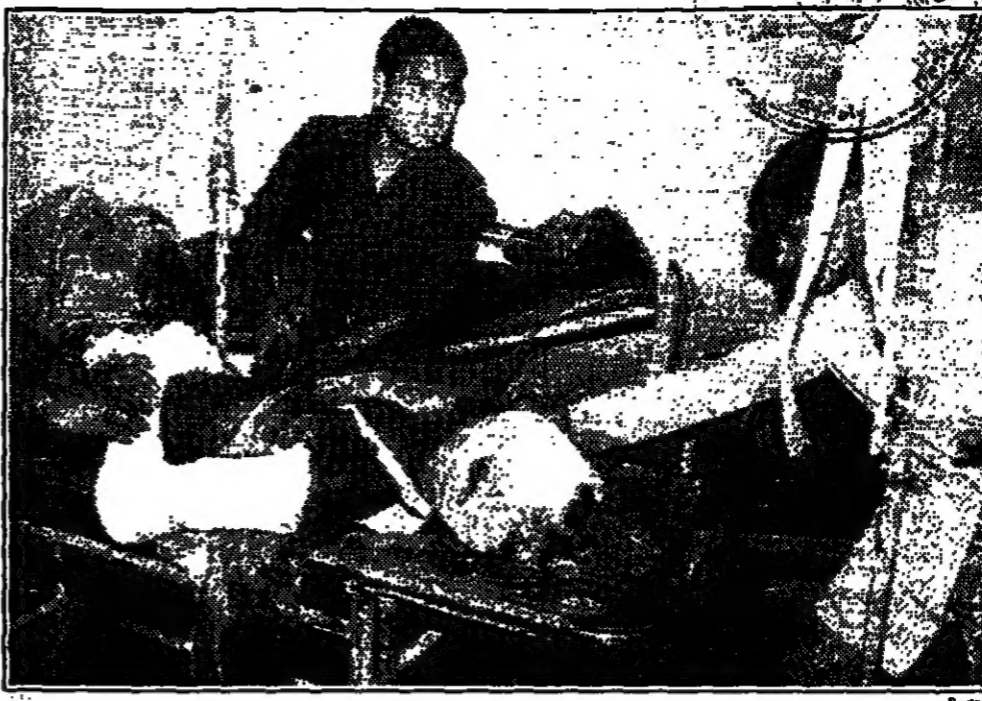
CIA personnel had no contact with those who carried out the car bombing, the sources said. According to one, officials of the intelligence agency were upset that one of its most secret and much debated operations had gone astray.

The White House has declined to comment on the matter.

Several intelligence sources said the incident revealed the hazards of trying to fight terrorism. Others questioned whether training and support of the covert units might have violated the longstanding prohibition against U.S. involvement in assassinations. A source, skeptical of the short-lived operation, called it "an illustration of how some people learn things the hard way."

Another source said that Defense Department officials refused two years ago to give Lebanese units any counterterrorism training because of fears that "we'd end up with hit teams over there."

"The concern was that when some have the capability it can be turned upside down and used offensively," the Pentagon source said. (Continued on Page 2, Col. 3)



A doctor administers a blood transfusion to a victim of a bomb explosion in New Delhi.

80 Killed In India Bombings

'Ramifications' Seen in Plot; Sikhs Arrested

By William Claiborne
Washington Post Service

NEW DELHI — The Indian authorities have uncovered a conspiracy with "wide ramifications" behind the wave of random bombings that in the last two days has killed more than 80 persons in New Delhi and in adjoining states, the police said Sunday night.

The announcement followed the arrests of hundreds of suspects and a raid on an alleged hideout of Sikh separatist guerrillas.

The acting police commissioner, Ved Marwah, said Sunday that three "dreaded terrorists" had been taken into custody in a raid on a house in central New Delhi. Four policemen were injured in the raid, he said.

Mr. Marwah said that the police, acting on a tip, stormed the house and arrested "well-armed terrorists" who were involved in the conspiracy to plant more than 30 explosive-packed portable radios in public transport stations in and around New Delhi on Friday and Saturday.

The death toll in New Delhi alone has risen to 44, with at least 36 more persons reported killed in the adjoining states of Haryana, Uttar Pradesh and Rajasthan.

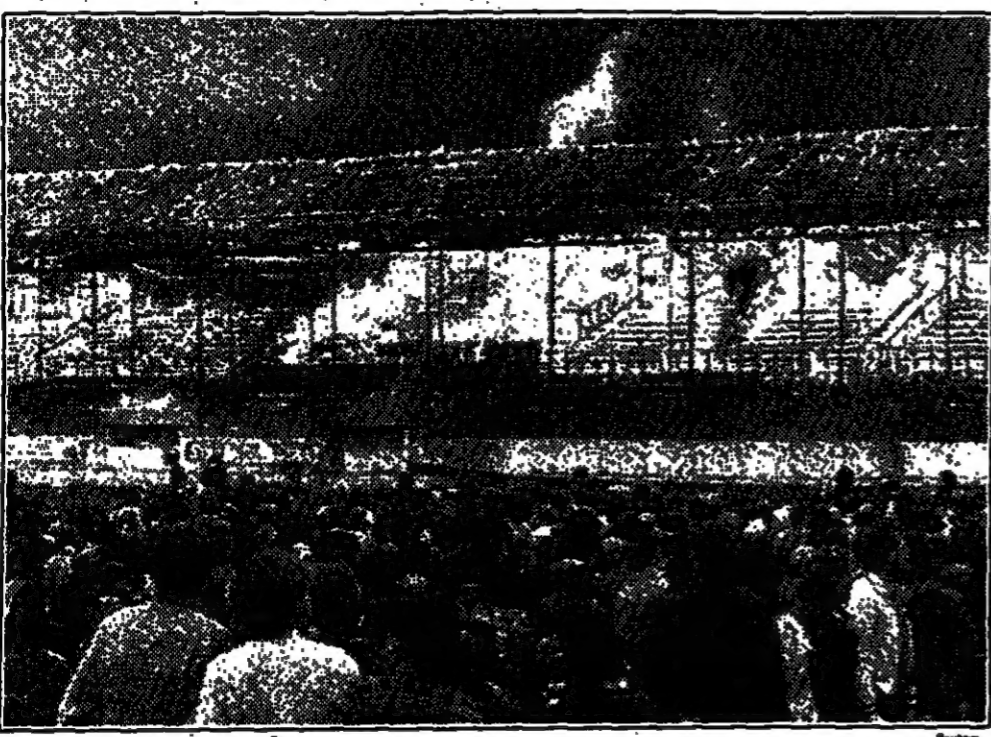
Police on Sunday recovered and defused two more bombs near a Hindu temple in west Delhi and near a market in north Delhi.

While Mr. Marwah said that 245 suspects had been arrested in the capital, other police sources said that more than 1,000 Sikhs had been rounded up and subjected to "intensive interrogation" in New Delhi, Rajasthan, Punjab and Uttar Pradesh.

While no more bombs were reported to have exploded Sunday, the authorities continued to warn the public against picking up suspicious objects, particularly portable transistor radios. Police officials said that several crude bombs had been found disguised in cricket balls.

Indian Army troops continued to patrol parts of New Delhi on Sunday, and security forces conducted intensive searches of travelers at bus depots, train stations and at roadblocks leading out of the city.

Prime Minister Rajiv Gandhi held a meeting of the political affairs committee of his cabinet to discuss the situation. (Continued on Page 2, Col. 1)



Spectators, some with clothes on fire, leap onto the field as the stands burn in Bradford.

Fire in U.K. Soccer Stadium Kills 52 As Spectators Panic; 28 Are Missing

By Brian Cathcart
Reuters

BRADFORD, England — At least 52 persons were killed after fire engulfed the main grandstand Saturday at a soccer stadium in this northern city, police said Sunday. The final toll, they said, could exceed 90.

Some spectators were burned in their seats as the flames jumped through the wooden grandstand within four minutes. Others, their clothes and hair aflame, were crushed to death in a stampede to escape through padlocked gates.

A police spokesman said Sunday that 28 people remained unaccounted for and that 12 of the 211 reported hurt in the blaze had been gravely injured.

Although the cause of the fire was not known, the West Yorkshire chief constable, Colin Sampson, said that arson could not be ruled out.

It was the worst disaster at a British sports ground since 66 people were crushed to death in a panic at Ibrox Park in Glasgow in 1971.

The fire began late in the first half in a game between Bradford City and Lincoln City, who are in the English Football League's Third Division.

Some spectators said there were no fire extinguishers in the stadium because the club had feared they would be wrecked by vandals. Others said there were piles of wastepaper stuffed under the floorboards.

Prime Minister Margaret Thatcher ordered Home Secretary

Leon Brittan to report to her on the tragedy.

The fire overshadowed violence at a soccer match Saturday in Birmingham, central England, in which a youth was killed and more than 70 persons were injured.

Spectators Describe Fire
John Thomas of The New York Times reported from London: Millions of television viewers saw police and fans battling to save a middle-aged spectator who walked from the grandstand engulfed in flames.

Afterward, fire officials said it was likely that all of the rear doors of the grandstand had been padlocked.

"I made my way down a passageway to an exit, but the gate was padlocked," said Geoffrey Mitchell, 46. "Two or three burly men put their weight against it and we were able to get out. Otherwise, I don't think I would have been here."

The grandstand where the fire broke out had held 3,000 of the 12,000 spectators.

"I thought someone had let off a smoke bomb," said a spectator. "We could then see the flames creeping along the bottom of the seats. Within moments, he said, 'it was like a furnace.'"

It took only four minutes for the blaze to sweep the entire structure. "People were grabbing the elderly and throwing them over, and we were catching them," said Malcolm Hainsworth, 55 years old, a property surveyor who survived with burns on his forehead. "People

were shocked and crying, but there was no hysteria."

Peter Kneale, assistant chief officer of the West Yorkshire Fire Brigade, said people apparently stood and looked at the fire before realizing it was beyond control. Then, he said, "it became a tremendous stampede."

Asked whether the doors at the rear of the grandstand were padlocked, he said, "I think that is probably true."

The seats in the grandstand were believed to have been made of flammable polypropylene, a plastic, which gave off dense fumes and burned rapidly.

Mr. Kneale said the construction of the grandstand and the seating was under investigation, and that he was "not happy" with the safety standards of the grandstand.

Anthony Burrows, 25, a water worker from Bradford, said the fire could easily have been put out with a bucket of water before it spread.

"At first only a few people panicked," trying to get onto the playing field, he said.

"There was an old man with his hair on fire, there were no extinguishers," Mr. Burrows said, adding that he had put his sweater over the man's head to put the fire out.

Stafford Heggiebotham, chairman of the Bradford soccer club, said it was not unusual for the gates to be padlocked at a game.

"If we left the gates open before half-time," he said, "people who had not paid to come in would get in. So it's not unusual to lock the gates."

Protesters of Papal Visit Clash With Dutch Police

By Kevin Costelloe
The Associated Press

UTRECHT, Netherlands — Dutch riot police used tear gas and batons Sunday to disperse hundreds of youths who began throwing stones and turned a peaceful march against Pope John Paul II's visit into a half-hour melee.

In two incidents the police, while surrounded by demonstrators, fired pistol shots, the police chief, Jan Wiarda, said. None of the shots was believed to have hit anyone.

Mr. Wiarda said 14 persons had been arrested. Three policemen and one demonstrator were injured; none was hospitalized. The police chief said that a bystander died of a heart attack. The man was not identified.

The melee occurred on the second day of the pope's tour of the Netherlands and followed statements by a woman missionary who

seized the chance of addressing the pope to attack Roman Catholic doctrine on what the church calls family issues.

About 1,000 young people marched to within several hundred yards of a conference center where the pope was holding meetings. When riot police blocked their way, the demonstrators began hurling rocks. Some reportedly shouted, "Kill, kill, kill the pope." Police responded with tear gas and baton charges.

The fighting erupted after a peaceful march by 10,000 Dutch medicals, feminists and homosexuals who opposed the visit, the first by a modern pope to the Netherlands. About 40 percent of the Dutch population is Roman Catholic, about 30 percent is Protestant.

John Paul II's 11-day tour, which also will take him to Belgium and (Continued on Page 2, Col. 5)



Pope John Paul II joined a choir in Utrecht, the Netherlands, on Sunday.

Senate's Budget Vote: Reagan Is Losing Leverage

By David S. Broder
Washington Post Service

WASHINGTON — President Ronald Reagan had to give more ground last week than in any of his previous budget battles with Congress. Nevertheless, the spending

NEWS ANALYSIS

blueprint approved Friday by a narrow Senate majority is viewed by many politicians as a further step in President Reagan's restructuring of national policy.

It also is viewed as the most he could expect to get under the circumstances.

In accepting a defense figure for next year that he previously had labeled "unreasonable," a one-year freeze on Social Security benefits that seemingly violates a campaign pledge, and the continuation, with reduced funds, of several transportation, business and agriculture subsidies he had tried to end, Mr. Reagan showed that his 49-state election victory six months ago gave him much less clout on Capitol Hill than his initial win in 1980.

A political scientist, Austin Ranney, who is a Democrat with the American Enterprise Institute, said he viewed the Senate vote as "the first, clear, unmistakable manifestation of the 22nd Amendment effect," meaning that the president has a loss of leverage because he cannot run again.

"It's more and more evident" Mr. Ranney said, "that the revolutionary part of the Reagan revolution" ended in 1981, "when Congress approved Reagan's first budget and three-year tax-reduction plan."

The clearest evidence for that was Mr. Reagan's reluctant acquiescence to the Senate's decision to give the Pentagon no increase above the rate of inflation.

But even at that level, defense appropriations next year would rise \$10 billion and actual outlays increase by \$20 billion.



James R. Jones

Measures against the gross national product, federal domestic spending would be down, defense spending up, and the tax burden

"I think the president is aligned almost perfectly with public opinion as it stands. Some form of freeze, including the military, is the only thing that's politically viable."

lower. GNP is the value of the total output of a country's goods and services. In addition, this budget would

begin to shrink the deficits that represented one of the major policy failures of Mr. Reagan's first term and a threat to the continued prosperity essential for future Republican victories.

Some of the assessments offered Saturday clearly had a partisan tone. Edwin L. Dale, Jr., a spokesman for the budget director, David A. Stockman, said the termination of 13 domestic programs and cutbacks in dozens of others represented a giant step forward "in some respects, beyond what we could do in 1981."

Senator John H. Chafee, Republican of Rhode Island and a member of the party's leadership, called it "clearly a major step forward on the path President Reagan set out five years ago."

At the other end of the spectrum, Senator Gary Hart, a Colorado Democrat and a presidential candidate last year, said: "If you believe, as I do, that Ronald Reagan's hidden agenda

Highlights of Budget Plan

New York Times Service

NEW YORK — Following are major elements of the budget plan approved Friday by the Senate:

Deficits — Expected deficits would be reduced by \$56 billion in the 1986 fiscal year and by a total of \$295 billion in 1986-88.

Military — The 1986 military budget would be allowed to grow in proportion to inflation, but no more. For 1987 and 1988, the increase would be equal to the inflation rate plus 3 percent.

Pensions — There would not be any cost-of-living increase in 1986 for Social Security, veterans' benefits or Civil Service and military retirement. The annual adjustments would resume in 1987.

Taxes — Federal taxes would not be increased.

Reductions — The government-backed rail passenger service, known as Amtrak, local mass-transit operating subsidies and the Small Business Administration would be cut back, but not eliminated as President Ronald Reagan had proposed.

Medicaid — Spending on medical assistance to the poor is to be reduced by a total of \$1.2 billion in the next three years. But there would not be a permanent limit on federal payments to the states.

Medicare — Spending for this program of health insurance for the elderly would be reduced by \$16.3 billion over the next three years, by limiting reimbursement to doctors and hospitals and by increasing premiums.

Agriculture — Farm price supports and other government subsidies to agriculture would be reduced, but the cuts would be smaller than the president had proposed.

Finances — The overall federal deficit would decline steadily, from \$212.9 billion in the current fiscal year to \$104.3 billion in 1988. Total federal spending would rise from \$949 billion this year to \$1,060 billion in 1988.

Test of Political Liberalization Seen as Seoul Opens Assembly

By John Burgess
Washington Post Service

SEOUL — A special session of the South Korean National Assembly that convenes Monday is expected to offer some of the liveliest debate here in years and a new test for President Chun Doo Hwan's policy of political liberalization.

Mr. Chun's Democratic Justice Party, with 148 of the 276 seats in the legislative body, will face a united and strident opposition that controls 126 seats. Two seats are held by independents.

The body's deliberations are likely to be marked by anti-government street demonstrations by radical students. Many of the small, but persistent, protests in recent weeks have taken on an increasingly anti-American tone.

It is probably a sign of things to come that the assembly's opening is four weeks late. This was caused by the refusal of the opposition New Korea Democratic Party to attend until Mr. Chun agreed to restore the full civil rights of Kim Dae Jung, a leading dissident, and free 114 persons it regards as political prisoners.

But the party backed down last week and agreed to come.

Mr. Chun has created in recent months the most free political climate in South Korea in years. He has lifted many controls on opposition activity and the press, and has allowed Mr. Kim to play a behind-the-scenes role in the New

Korea Democratic Party, which was formed in January.

The government has promised to continue discussing the status of the political prisoners and of Mr. Kim, who is barred from a formal role in politics because of a 1980 conviction on charges of sedition.

In National Assembly elections in February, the New Korea Democratic Party swept the nation's cities. Its success confirmed a comeback for Kim Dae Jung and for another prominent opposition leader, Kim Young Sam. The two men are commonly known to control the party although they do not hold any formal office in it.

Government officials said they were surprised at the opposition's strong showing in the election but that they do not have any plans to return to the era of restrictions.

"We have to continue that liberalization," said Choi Chang Yoon, secretary for political affairs in the office of the president. "In a large industrial society, we can't expect static stability."

Kim Dae Jung said that the New Korea Democratic Party had agreed to attend the assembly because it had made its point that it was different from the old opposition parties.

However, according to Mr. Choi and others, party officials feared the public had become disenchanted with the New Korea Democratic Party's boycott of an institution that it had fought so hard to enter.

One of the first orders of business for the assembly will be ratification of the appointment of Mr. Chun's new prime minister, Lho Shin Yong.

The New Korea Democratic Party is expected to try to block the appointment, pointing out that Mr. Lho came from the top job at the National Security Planning Agency, as the Korean Central Intelligence Agency is now called.

Other issues the opposition is expected to raise are constitutional changes to require the direct election of the president, reform of the labor and press laws and alleged election law abuses by the government in February.

Students, Police Clash

About 1,000 South Korean students clashed with police Saturday in Seoul after police detained student leaders to stop them from organizing massive anti-government protests, witnesses said, according to Reuters.

Police said they were holding 18 leaders after students said they would increase demonstrations against President Chun's government this month to mark the fifth anniversary of a weekend civil uprising in the southwestern city of Kwangju in which 189 people were reported killed.

The protesters carried banners demanding the Chun government assume responsibility for the Kwangju death toll, which they allege was much higher than 189.



WAR CASUALTY — A Shiite Amal militiaman, above, calling for help after a comrade was wounded by sniper fire in Beirut. Another fighter, below, helped him carry the man to safety, but the man died shortly afterwards.

'Acceptable' Negotiators Hard to Find, Shultz Says

The Associated Press

QAABA, Jordan — The U.S. secretary of state, George P. Shultz, acknowledged Sunday the difficulty of finding Palestinian negotiators acceptable to both the Palestine Liberation Organization and Israel.

Mr. Shultz flew to Jordan from Egypt on the final leg of his three-day Middle East tour. Speaking aboard the flight, he urged all sides to "keep the level of frustration down and the level of efforts up."

Asked if there were Palestinians acceptable to both Israel and the PLO, Mr. Shultz replied: "I don't know the answer to that question."

The problem, Mr. Shultz said, is "to find people who are truly recognized as people who represent the Palestinians and who also have a background that would be acceptable in the negotiating process."

In Israel, officials were divided on whether members of the Palestine National Council, which sets PLO policy, might qualify.

In Egypt, Mr. Shultz received encouragement from President Hosni Mubarak. "There is a definite feeling of good will and certainty of recognition of the hard problems," he said after their meeting Sunday.

WORLD BRIEFS

Afghan Rebel Leader Defects to Kabul

ISLAMABAD, Pakistan (AP) — An important Afghan guerrilla leader has gone over to the Kabul government with 60 of his followers after working as a double agent for the last two years, according to a guerrilla official.

A senior guerrilla official, speaking on the condition that he not be identified, said Saturday that Esmatulla Muslim had declared his allegiance to Kabul. Mr. Muslim had commanded about 500 guerrillas in the southern province of Kandahar and was well known in the region, the official said. Mr. Muslim took about 60 of his men with him, but more than 400 refused to go along, the official said.

Suspicious about Mr. Muslim's loyalty surfaced when some Afghan security agents were captured by guerrillas in February, the official said. Then the guerrillas learned that he had taken part in a recent national assembly organized by the Afghan government, the official said. Mr. Muslim had apparently been acting for Kabul for about two years while he was a guerrilla commander and more than once had staged attacks on other guerrilla units, the official said.

Result of Sakharov Protest Is Unclear

MOSCOW (NYT) — The deadline for Andrei D. Sakharov's threatened resignation from the Soviet Academy of Sciences passed Friday, but Mr. Sakharov's supporters said they had heard nothing new from him. There was no statement from the academy.

According to his friends, Mr. Sakharov, the physicist and dissident who is in internal exile, had warned the academy that he would resign his full membership by May 10 unless it caused his rigid isolation in Gorki to be eased.

Mr. Sakharov, who will be 64 years old this month, was restricted to Gorki, a Volga River city that is off limits to foreigners, in January 1980. He was stripped of his official awards and privileges, but he retained membership in the academy, drawing the full salary.

South Africa Publicity Effort Assailed

LONDON (NYT) — An analysis of South Africa's effort to influence world opinion, written by a leading critic of apartheid, says almost all of it is aimed at Britain and the United States and is designed to promote a false image of stability and reform.

The report, by Donald Woods, who is white and was a newspaper editor in South Africa, will be the subject of a three-day conference for members of news organizations beginning Monday in London. The meeting will be under the auspices of the Commonwealth Secretariat and the United Nations committee against apartheid.

A spokesman for the South African Embassy said of the report: "Our aims are as alleged, to promote an image of reform and stability and to underplay the level of black resistance, we're not doing very well, because anybody who's in Britain or America is perfectly aware of the difficulties which are currently taking place in South Africa."

Reagan Stand on Benefit Overturned

WASHINGTON (NYT) — A federal magistrate has rejected the Reagan administration's contention that it may disregard court precedents relating to the Social Security disability program.

The Social Security Administration has been using this rationale to cut off disability benefits for thousands of people in the United States, despite court rulings in favor of other people pressing similar or identical claims in the same judicial circuit.

The magistrate, Naomi Reice Buchwald, rejected each of the legal arguments made by the government in support of this practice, in which the Social Security Administration, while paying benefits to a plaintiff who won his case before a U.S. Court of Appeals, sometimes refuses to acquiesce to that court's interpretation of the law. The effect of this practice of nonacquiescence is that other people with similar claims in the same judicial circuit do not get benefits unless they, too, file suit.

Relief Food Rotting in Ethiopian Port

ADDIS ABABA, Ethiopia (AP) — Relief officials say that long-awaited rains in Ethiopia have spoiled about 8,800 metric tons of grain stockpiled at the Red Sea port of Assab.

The authorities acknowledge that 4,000 to 5,000 of the 110,000 metric tons (121,000 short tons) of wheat and other foodstuffs have rotted at the port. But relief workers say there is evidence that an investigation will show that 8 percent or more has been ruined.

Some of the grain is in unsealed sheds, but much of it is piled outside in huge mounds. Another shipment, of 200,000 tons, is expected to arrive at the ports of Assab, Massawa and in neighboring Djibouti within the week.

For the Record

Chlorine corrosion contributed to the collapse of the concrete roof at a municipal swimming pool at Uster, Switzerland, on Thursday, according to an initial report by a Zurich laboratory published Sunday. The accident killed 12 persons and injured 3.

The death toll in the outbreak of Legionnaire's disease in Britain was 34, as many as died in Philadelphia in 1976, when the disease was first identified, health officials said Saturday.

The Socialist government of Mozambique has adopted a series of economic liberalization measures, freeing prices for some agricultural products, dropping import and export controls and lowering taxes.

Tribal fighting at a South African gold mine has caused the deaths of 19 persons, and 36 were hospitalized, a spokesman for Anglo-American Corp., owners of the President Brand mine, said Saturday.

A car bomb exploded Sunday on a street in Tehran, killing at least 10 persons and injuring 20, the official Iranian news agency reported. (AP) Makolm Bakridge, the U.S. secretary of commerce, arrived in Beijing on Saturday for an official visit with Chinese officials. (Reuters)

Indian Police See Bombing Plot in 80 Deaths

(Continued from Page 1)

assess the situation and to review steps being taken by the police.

The randomness of the bombings appeared to be calculated to grip New Delhi in terror and, presumably, lead to widespread civil disorder that would undermine the government's efforts to draw moderate Sikhs into talks for a negotiated settlement to demands for increased autonomy for the state of Punjab.

The crisis is the worst that Mr. Gandhi has faced since Hindu reprisals against Sikhs occurred in the aftermath of the assassination

of Indira Gandhi, his mother and predecessor, by Sikh bodyguards Oct. 31. At least 1,500 people died in violence after the assassination.

In a broadcast Saturday, the home affairs minister, S.B. Chavan, blamed the bombings on "anti-national elements who do not wish the political process to begin for the solution of the Punjab problem."

Although government spokesmen asserted at the time that the Indian Army sweep had "broken the back" of the terrorist movement, security sources have been warning in recent weeks that sepa-

ratist guerrillas had been regrouping across the border in Pakistan and were training for a wave of attacks under new leadership.

India's leading Sikh historian, Kushwant Singh, who is a member of Parliament, said Saturday that he had received information from Punjab that Pakistani Muslims had infiltrated the separatist movement and were helping to organize a campaign that they expected would result in a Hindu backlash against Sikhs and further destabilize India.

Pakistani officials have consistently denied Indian allegations of cross-border training camps, noting that involvement by Pakistani nationalists was limited to bands of smugglers who long have breached the frontier with shipments of arms and other goods.

The government's attempts to reach a negotiated settlement with moderate Sikhs sustained an additional setback Saturday when Harchand Singh Longowal, president of the Akali party, the mainstream Sikh political party, announced his resignation. It apparently was a direct consequence of the bombings.

The first series of explosives-packed transistor radios that exploded almost simultaneously at about 7 P.M. Friday in bus terminals and other public transportation depots apparently were triggered by timing devices.

But other explosions later in the evening and Saturday appeared to have involved booby-trap devices set off when the victims found the radios and attempted to turn them on.

6 Die in Ahmedabad

Six persons died and about 50 were injured Sunday in outbreaks of street fighting between Hindus and Muslims in the western city of Ahmedabad hours after troops were sent in to quell communal clashes, Reuters reported from New Delhi.

Ortega Says U.S. Made Positive Move

(Continued from Page 1)

added to his itinerary after the White House announced its sanctions decision.

His emphasis Sunday was on the need to receive more assistance from Western Europe and Latin America.

Mr. Ortega seemed less combative than during a joint news conference Saturday with Spain's prime minister, Felipe Gonzalez. He did, however, repeat Saturday's comparison of Reagan administration policies in Nicaragua with those of Nazi Germany, and said he believed President Ronald Reagan "had a portrait of Hitler on his wall during World War II."

Mr. Ortega, who had visited a Nazi concentration camp two days earlier in Poland, said Saturday that the graves there reminded him that "Reagan has killed 150 children" through the actions of the rebels in Nicaragua, "and wants to convert Nicaragua into a concentration camp."

Those comments appeared to cause discomfort to Prime Minister Gonzalez, who quickly noted the American role in "liberating Europe from Nazism and fascism" and emphasized Spain's good relations with Washington.

After Saturday's meeting between Mr. Ortega and Mr. Gonzalez, Spanish officials said Madrid was likely to approve a Nicaraguan request to expand an existing \$40-million line of credit.

On Friday, the United States vetoed elements of a UN Security Council resolution calling for the U.S. sanctions to be lifted. However, the Reagan administration abstained from voting on a paragraph calling for resumed U.S.-Nicaraguan dialogue, enabling the measure to pass unanimously.

Protesters Against Pope's Visit Battle Police in Netherlands

(Continued from Page 1)

Luxembourg put him at the center of a dispute between the Dutch church's strong liberal wing and a conservative hierarchy that, progressives say, was imposed by the Vatican.

The liberals favor looser rules on birth control, premarital sex, divorce and homosexuality and want the church to allow priests to marry, women to be ordained and laymen to celebrate Mass.

In the weeks before the visit, a series of parades of the pope appeared in the Dutch media and posters threatening his life went up in at least two cities.

Sunday, John Paul held a series of meetings in Utrecht with Dutch religious orders, social organizations and missionaries.

During his meeting with the missionaries, Hedwig Wasset, chairwoman of the diocesan missionary council of Groningen, departed from her prepared address in a crowded conference hall. The pope was sitting nearby and in front of her.

"Personally I want to add, if there is nothing more than expulsion announced against unmarried couples living together, the divorced, homosexuals, married priests and women, are we giving the shepherding of Christ's people?" asked Mrs. Wasset, 45, a mother of three.

Mrs. Wasset said that rigid doctrine had "forced many of us" to be disobedient to the church. She asked why bishops were "reigning over us instead of with and in the midst of us?"

The remarks drew a mixture of applause and catcalls. The pope, listening as a Dutch priest interpreted for him, showed no reaction. Afterward, he shook Mrs. Wasset's hand, as he did those of other speakers.

CIA-Trained Unit in Lebanon Tied to Bombing

(Continued from Page 1)

said: "We cannot and will not abstain from forcible action to prevent, prevent or respond to terrorist acts where conditions merit the use of force. Many countries, including the United States, have the specific forces and capabilities we need to carry out operations against terrorist groups."

It could not be learned exactly what capabilities Mr. McFarlane and Mr. Casey were talking about. The CIA has extensive worldwide counterterrorism training operations designed to help other nations defend against and react to attacks.

Mr. McFarlane and Mr. Casey have declined to elaborate. Mr. McFarlane's speech was given in Washington on March 25 and Mr. Casey's in Cambridge, Massachusetts, on April 17.

Dozens of bystanders were killed or wounded in the March 8 car bombing near the residence of Mohammed Hussein Fadlallah, leader of Hezbollah, or the Party of God, a militant Shiite movement. Some of Mr. Fadlallah's bodyguards reportedly were killed in the explosion.

No one publicly has claimed responsibility for the bombing. Some

Shiites accused the Israelis, who denied any involvement.

Numerous U.S. intelligence reports have tied Mr. Fadlallah to the series of attacks on American, French and Israeli facilities in Lebanon in 1983 and 1984. According to one report, Mr. Fadlallah participated in an Oct. 20, 1983, planning meeting in Damascus, three days before the suicide bombing of the U.S. Marine Corps compound in Beirut that killed 241 U.S. servicemen.

Intelligence reports also say that on the night of Oct. 22, 1983, just hours before the bombing, Mr. Fadlallah received and blessed the man who drove the truck carrying the explosives in the suicide bombing.

Mr. Fadlallah's group also was responsible for the Sept. 20, 1984, bombing of the U.S. Embassy annex in Beirut, according to intelligence sources. He has denied involvement in these actions.

A Lebanese intelligence source said: "My service did the Fadlallah bombing. I believe it was done to show we are strong."

"You've got to stop terrorism with terrorism," he added.

The Lebanese source said that the CIA would have nothing to do with a car bomb because of the danger to innocent people. But the source contended that the CIA knew it was being planned.

U.S. sources emphatically denied any advance knowledge of the bombing and said that immediate steps were taken after it occurred to cause the entire covert operation.

The plan to form and train three teams of Lebanese capable of neutralizing or disabling terrorists before they could make planned attacks on American targets was approved after years of internal debate and increasingly tough Reagan administration statements about how to respond to the wave of attacks abroad.

The covert training and support program was set up under a presidential "finding," signed by Mr. Reagan. It specified that the teams of foreigners were to be used only in great care and only in situations where the United States had good intelligence that a group was about to strike. The teams were supposed to use the minimal force necessary to stop specific attacks. Several sources said this included the authority to kill suspected terrorists if that was the only alternative.

Conducting preemptive strikes is very difficult in practice, because they depend on intelligence information that is timely and accurate. However, sources said the U.S. capability to collect advance information on planned terrorist attacks was improving.

After previous attacks on American facilities in the Middle East, U.S. officials learned they had had some clues — at times significant ones — before the event. But they were only discovered afterward, when analysts sorted through raw intelligence reports, communications intercepts and satellite photography.

Officials said the short-lived covert operation in Lebanon did not violate the presidential ban on involvement of U.S. personnel, directly or indirectly, in any type of assassination planning or operation. The prohibition dates from

1976, after congressional investigations uncovered such plots against President Fidel Castro of Cuba and other foreign leaders.

Reagan administration officials reasoned that killing terrorists was "preemptive self-defense" rather than assassination, according to a source. "Knocking off a guy who is about to kill you," the source said, "is no more assassination than a policeman getting off the first shot at a man pointing a shotgun at him."

Secretary of State George P. Shultz and Mr. McFarlane were chief proponents of the covert plan in Lebanon, sources said.

"State and the White House pushed this," a source said.

[Secretary of State George P. Shultz, who is touring the Middle East, would not comment on the matter Sunday aboard his plane to Egypt from Israel, explaining that he had not seen The Washington Post report, Reuters reported. "I don't know anything about it, so I am uninformed," he said of the published report.]

Sources said that Mr. McFarlane was instrumental in developing a consensus from the disparate views of senior administration officials.

GRACIOUSLY HYATT

The moment you glide into its magnificent lobby, Hyatt Regency Delhi transports you into a world of gracious elegance. Experience gentle service. The luxury of Regency Club rooms. The competence of our Business Centre.

Enjoy the refreshing Calamander, North Indian specialties at Aangan. Szechuan cuisine at Pankaj or cocktails in the Piano Bar. Or unwind on the tennis courts, in the outdoor pool or the extensively-equipped Fitness Centre. Hyatt Regency Delhi is not simply a hotel — it is an experience in gracious living. Don't you WISH YOU WERE HERE?

HYATT REGENCY DELHI

For reservations, call the hotel 609911, ext. 314579. Or contact your travel planner or your nearest Hyatt.

WORLDWIDE ENTERTAINMENT

Bal du Moulin Rouge

20 h. Diner d'exception
Champagne et Revue
440 F

22 h et 0 h
Champagne et Revue
300 F

PRIX NETS
SERVICE COMPRIS

femmes, femmes, femmes...

12 av. George V tel 723 32 32
PARIS - FRANCE

happy crazy '85

CRAZY HORSE

far and away
the best nude revue
in the world

at the bar only 240 frs
+ 15% service charge

SKY CHANNEL

BROADCASTING TO CABLE COMPANIES
IN EUROPE & THE UK VIA SATELLITE

"Europe's Best View"

PROGRAM, MONDAY 13th MAY UK TIMES

13.35 FAMILY	18.00 THE LUCY SHOW
14.30 WAYNE & SHUSTER	18.30 GREATEST AMERICAN HERO
15.00 SKY TRAX 1	19.00 VEDAS
15.45 SKY TRAX 2	20.10 THE UNTOUCHABLES
16.30 SKY TRAX 3	21.05 NFL AUSTRALIAN FOOTBALL
17.00 NFL ED	21.55 SKY TRAX

SKY CHANNEL TV ADVERTISING SELLS PRODUCTS FAST -
FOR MORE INFORMATION, RATES, MARKETING &
AUDIENCE DATA CONTACT THE SALES DEPARTMENT
SKY CHANNEL, SATELLITE TELEVISION PLC
TEL: LONDON (01) 636 4077 TELEX 266943

UNIVERSITY DEGREE

BACHELORS • MASTERS • DOCTORATE

For Work, Academic, Life Experience.

Send detailed resume for free evaluation.

PACIFIC WESTERN UNIVERSITY

600 N. Sepulveda Blvd.
Los Angeles, California
90049, Dept. 28 U.S.A.

Opposition Wins Vote in German State

(Continued from Page 1)

election of 1983 when the party won more than 45 percent of the vote locally, defeating the Social Democrats by more than 2 points in the state.

Bernhard Worms, who headed the Christian Democratic list in the state, conceded defeat less than an hour after the polls closed at 6 P.M. Mr. Worms was personally selected by Mr. Kohl as the party's state leader.

The election was regarded as the most important state test before the national elections in 1987.

North Rhine-Westphalia is the biggest and most industrialized state in the country. It includes Bonn, the federal capital, as well as industrial cities of the Ruhr that form Europe's biggest industrial region.

Mr. Rau, 54, conducted a highly personal campaign, asking the voters to give him their trust.

He had staked his political future on his prediction that he would again win an absolute majority in the state assembly. Pre-election polls had predicted that he would come close to his goal but might miss it by a narrow margin.

The fact that the Social Democratic list won more than 52 percent of the popular vote as well as a majority of seats in the state assembly came as a surprise to pollsters and politicians.

In another important election result, the Free Democrats were able to return to the state assembly after an absence of five years. They won 6 percent of the vote, a point more than the minimum required for representation. In the last state election, they had fallen a fraction below the 5-percent threshold.

AMERICAN TOPICS

New York Harbor Booms With Imports

Many of Manhattan's piers are rotting, but business in New York harbor as a whole is booming, largely because of imports resulting from the pumped-up buying power of the dollar abroad. The New York Times reports.

Cargos with a total value of more than \$40 billion arrived in New York harbor last year, the biggest year for imports since 1968. Imports outnumbered exports by four to one, the most lopsided deficit in the port's history.

So many empty containers piled up waiting to be refilled that some shipping lines chartered vessels just to return the empties. Others stuffed the containers with waste paper, thus making recyclable paper New York's leading export last year.

Much of the Port of New York's business is in the boroughs of Staten Island and Brooklyn, as well as in Newark and Elizabeth, two New Jersey cities also on the harbor.

Books: A Battle To Save the Past

Books made of pulp paper, which means nearly all books published since 1850, are doomed to disintegrate unless they get chemical treatment that removes sulfuric acid. With the Library of Congress taking the lead, libraries around the country are starting to use the treatment, as well as microfilm, for their aging books.

The cost of preservation is estimated at \$10 million a year for the next 10 years. But Lawrence Townner, head of the Newberry Library of Chicago, says, "If we don't correct this situation, we will wind up with a kind of national Alzheimer's disease," that is, "collective memory will be lost."

1789 Amendment Hints Congress

After a week of debate on how to reduce the federal deficit, expected to exceed \$200 billion this fiscal year, the U.S. Senate, in a 49-49 tie vote, rejected a surprise move this month by Senator Jesse Helms, a Republican of North Carolina, to cut its own salaries by 10 percent.

Such a pay cut, after all, would have made only a \$4-million nick-



A CAREER JUMP — Eric Scheibler, a business and accounting major at Mansfield University in Mansfield, Pennsylvania, parachuted to his graduation ceremonies.

in the deficit. But the vote may hasten the progress of a widely forgotten constitutional amendment under which a pay raise voted in Congress can take effect only after the following regular congressional elections.

The amendment dates from 1789 and carries no deadline for ratification. It had been forgotten until a college student came across a copy of it while doing research in a library in Austin, Texas. So far, 13 of the 38 states that must ratify the amendment have voted for it.

Serving in Congress is "an expensive proposition," said Don Anderson, a Republican state senator who is pushing for approval of the amendment in Minnesota. "I don't begrudge their wages. It's a fairness issue."

Don Mielke, a Republican state representative in Colorado, said, "I'm not even sure they're paid enough," what with travel and Washington living costs, but "the people should know and decide."

Notes About People

Dr. Benjamin Spock, whose book, "Baby and Child Care," has sold more than 30 million

copies since 1947, was asked by The Washington Post if the book had made millions of dollars for him. He replied, "Well, not millions, no," and said that in the early days he got only a quarter-cent royalty per copy. "Now, worldwide, it earns \$150,000 a year—something like that," said Dr. Spock, now 82. "Anyway, it's a very nice income."

Muhammad Ali, 43, who fought his last bout four years ago, says the popularity of boxing is declining because it is dominated by blacks. In Washington, the former heavyweight champion said, "Boxing is controlled by blacks—fighters, promoters and trainers." He said boxing needs "good white contenders—more Jack Dempseys."

Angie Dickinson, the actress, turned down a Playboy magazine offer to pose nude as one of their over-50 centerfolds, explaining that at 53, "I'm too old for that sort of thing. I don't look as good as the rest of the women in the book anymore, and I'm not stupid enough to think otherwise. So if I can't be the best, why bother?"

—Compiled by ARTHUR HIGBEE

IRS Inquiry On Lobbying For Managua Is Sought

By Joanne Omang

WASHINGTON — A conservative lobbying group, Citizens for Reagan, has filed complaints with the Internal Revenue Service accusing nine tax-exempt organizations, including the Presbyterian Church, the American Friends Service Committee and the Maryknoll Fathers, of illegal lobbying in support of the Nicaraguan government.

In a statement accompanying letters sent last week to the IRS, Citizens for Reagan said that the groups had "apparently engaged in substantial lobbying and political activities in favor of the Sandinista regime in Nicaragua and in opposition to U.S. policy in Central America."

Named Thursday along with Maryknoll and the Presbyterian Church USA were the Sisters of Loretto, the National Network in Solidarity with the Nicaraguan People and the Quixote Center.

Listed in December with the American Friends Service Committee, the Quaker relief group, were the Central America Peace Campaign, the Community Church of New York, the Institute for Food and Development Policy and the Northern California Ecumenical Council.

The executive vice president of Citizens for Reagan, Peter T. Flaherty, asked in the complaints that the IRS investigate the groups' tax status, impose taxes and penalties, notify contributors that their donations were not tax-deductible and order the groups to stop lobbying.

The tax code exempts church-based, charitable and educational groups from federal taxes if they do not spend a "substantial" part of their budgets in efforts to influence legislation. Court rulings have defined "substantial" to mean more than 20 percent.

"What we spend is so far under 20 percent it's clear this is just an attempt to try to grab some headlines and tie us up in legal battles," said Debra Ruben, national coordinator of the National Network in Solidarity with the Nicaraguan People, a group of 60 local committees working to end U.S. involvement in Nicaragua.

An IRS spokesman said tax complaints were treated as "information items that may or may not be investigated."

Reserves to Allow Pentagon Budget to Rise

By George C. Wilson

WASHINGTON — President Ronald Reagan has built up such a large reserve of defense money in his first four years as president that Pentagon spending will continue to rise significantly during his second term even if the one-year budget freeze adopted by the Senate becomes law.

The Democratic minority on the Senate Budget Committee estimates that the military budget has risen so sharply in the last few years that the United States could retain the present spending level until 1993, partly because of the continuing flow of money appropriated in earlier years and not yet spent.

The fine print in the compromise worked out between Mr. Reagan and the Senate majority leader, Robert J. Dole, Republican of Kansas, shows that congressional appropriations for defense would rise \$54 billion, or 18 percent, between fiscal 1985 and 1988. Actual spending, including funds already in the pipeline, would jump \$61 billion, or 24 percent, in that period.

Defense Secretary Caspar W. Weinberger, who has been more successful than any previous peacetime defense secretary in building a big base of funding for the Pentagon, is in position to decide whether to describe the glass as half empty or half full.

The Senate compromise preserves the huge spending base in fiscal 1986, adding only enough to offset inflation, and then continues to raise it in fiscal 1987 and 1988 by adding 3 percent annually to cover inflation.

Senate Budget Vote: Reagan Is Losing Leverage

(Continued from Page 1)

has been to dismantle the Great Society and as much of the New Deal as possible, then this is a regression, if not a reversal, for the administration. They've come up against a stone wall of resistance in their own party, when they have to call in the vice president to break the tie. They had a desperate juggling act to salvage anything."

But many legislators of both parties saw the outcome not as a repudiation of the president but as evidence that he, as much as they, must respond to a public opinion concerned about deficits but insistent that defense be included in cutbacks.

In this view, the outcome was foreordained by the November election results. Despite Mr. Reagan's sweeping personal victory, the Republicans lost two seats in the Senate and fell eight or 10 seats



Caspar W. Weinberger

When Mr. Weinberger meets with defense ministers of the North Atlantic Treaty Organization in Brussels this month, he can state, according to the Budget Committee minority, that the United States has spent \$117 billion more than it was obligated to spend for defense. It agreed in 1978 to raise military spending by 3 percent a year after allowing for inflation.

Unless Congress cuts deeper than it has done under the Reagan-Dole compromise, record high peacetime spending will continue because of the peculiar dynamics of the Pentagon budget.

When the navy, for example, goes to Congress seeking money for an aircraft carrier costing \$4 billion, the whole amount is put in the bank that same year and then

drawn out year after year until the carrier is launched. All the services have salted away billions of dollars under this system.

The money will be spent from now until after Mr. Reagan leaves office.

From fiscal 1982 through 1985, Congress allowed the army, navy, air force and Marine Corps to put \$369 billion in their procurement accounts, \$154 billion more than the previous four years, figured in fiscal 1986 dollars.

Spending from the procurement account in fiscal 1982 through 1985 totaled \$259 billion in fiscal 1986 dollars, meaning \$110 billion more was deposited by Congress than was withdrawn by the Pentagon in that four-year period.

Also, the Pentagon has been receiving more money to cover inflation than it needed over the last four years.

The House Armed Services Committee is preparing a report criticizing the department for holding onto this inflation dividend, estimated at \$30 billion to \$50 billion for fiscal 1982 through 1985. The committee is expected to come close to the higher estimate in the report, to be issued this week.

To bring future military spending down significantly, Congress would have to do more than add fewer dollars to the pile.

One remedy would be to cancel giant weapons programs outright, but this throws people out of work and incurs cancellation charges from the contractor. Another possibility is to reduce the Pentagon payroll of 2.1 million men and women in uniform and another one million civilians.

To avoid these methods, Congress and the Pentagon in the past

have killed new programs, slowed production of weapons coming out of the factory and cut operational costs by reducing flying hours and sailing days.


The army is in a manpower crunch, so neither its leaders nor Congress is inclined to reduce the size of the force to save money. This means such programs as the Divad anti-aircraft gun and new helicopter programs would be cut, along with stretch-outs in current programs.

The navy has most of the money needed to build its 600-ship fleet. However, it will come under increasing pressure to consider building a combination of nuclear-powered and cheaper conventional submarines, reconsider planned purchases of improved A-6 medium bombers and F-16 "aggressor" aircraft and slow the tempo of its operations.

The air force, also running short of manpower to operate such new weapons as cruise missiles going to Europe, is trying to build two bombers at once, the Rockwell B-1 and Northrop's Stealth. The Stealth is running far above cost estimates, according to air force sources, making it a candidate for stretch-out.

15 Bombs Explode in Corsica

BASTIA, Corsica — Corsican guerrillas have stepped up their campaign for independence from France, carrying out about 15 bombings Friday night for the second time in a week, police said Saturday. No one was injured, but the explosions caused serious damage.



Dresdner Bank

Worldwide Consolidated Accounts

■ Total assets DM 175 billion.

■ Capital and reserves DM 5,3 billion.

■ Operating results exceed DM 2 billion.

■ Net income DM 376 million.

TORONTO
CHICAGO
NEW YORK
LOS ANGELES
HOUSTON
MIAMI

FRANKFURT
MOSCOW
LONDON
LUXEMBOURG
PARIS
ZURICH
GENEVA
LYONS
MILAN
ROME
BARCELONA
MADRID
ATHENS

BEIJING
SEOUL
TAIPEI
HONG KONG
BOMBAY
SINGAPORE
JAKARTA

CARACAS
BOGOTA
QUITO
LIMA
LA PAZ

DAKAR
OUAGADOUGOU
LOME
ABIDJAN
DOUALA
LIBREVILLE
KIGALI

ISTANBUL
TEHRAN
BEIRUT
CAIRO
BAHRAIN

MEXICO
GUATEMALA
PANAMA

RIO DE JANEIRO
SAO PAULO
ASUNCION
SANTIAGO
BUENOS AIRES
MONTEVIDEO

BUJUMBURA
BRAZZAVILLE
KINSHASA
HARARE
WINDHOEK
JOHANNESBURG

TOKYO
OSAKA

SYDNEY
MELBOURNE

Dresdner Bank

Bank with imagination

One of the leading banks in the world.
Dresdner Bank AG
Head Office: Frankfurt/Main,
Fed. Rep. of Germany

May 1985

INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

Therefore We Remember

Europe remains divided almost exactly as it was when the Soviet and American armies stopped 40 years ago. The victors persist in the antagonisms that instantly appeared. "An iron curtain" is drawn down upon their front. Churchill called to Truman on May 12, 1945; the chance to spread freedom across all Europe was slipping away. The chance was lost. Before 1945 ended, the great dilemma of the nuclear age had appeared. The price of stability was accommodation to a hostile system.

So what was special about a 40th anniversary? Only that this was the last major anniversary of World War II at which survivors could speak to the present. As the furor over Bitburg showed, experience could still bear witness.

However, with one notable exception, today's leaders squandered the moment.

From Bitburg to Strasbourg, President Reagan was off stride. His gestures to Germany's war dead and victims were clumsy and barren. In recalling the war he could not bring himself to evoke the memorable alliance between Russians and Americans. In appraising the aftermath he simply avoided the tough task of deciding where he draws the line between appeasement and coexistence.

General Secretary Gorbachev was infinitely worse. Rattling missiles in Red Square, he celebrated Stalin's falsehoods: that the war was fought not against Nazism but against capitalist imperialism; that Russians did not fight for the motherland but for communism; that America enriched itself at Europe's expense and went on to become a menace to mankind. He did not mention the absence of an "all-embracing international security system," that showed

no sense of special obligation to create one. While the victors hurled their epithets across the continent, last week's only memorable presidential speech came when Richard von Weizsäcker, president of West Germany and son of a man tried for war crimes, summoned his people to "look truth straight in the eye."

He mourned his country's dead, but its victims even more. He did not, like Mr. Reagan, blame "one man's" evil, or, like Mr. Gorbachev, a disembodied ideology. Every mature German, he said, bears a share of guilt — in common, perhaps, with other peoples that have instigated war and violence, but also uniquely, for the genocide of the Jews.

Only Mr. von Weizsäcker confronted the ultimate enemies of indifference and forgetfulness. "There were many ways of not burdening one's conscience, of shunning responsibility, looking away, keeping mum. When the unspeakable truth of the Holocaust then became known at the end of the war, all too many of us claimed that they had not known anything about it or even suspected anything."

After all the contrived ritual, here finally was a reason for commemoration: "All of us, whether guilty or not, whether old or young, must accept the past. It is not a case of coming to terms with the past. That is not possible. It cannot be subsequently modified or undone. However, anyone who closes his eyes to the past is blind to the present. Whoever refuses to remember the humanity is prone to new risks of infection. Seeking to forget makes exile all the longer; the secret of redemption lies in remembrance."

— THE NEW YORK TIMES.

Doubly Distressed Africa

In 1980 Nigeria's oil revenues were \$25 billion; now the figure is \$10 billion. In the shrinkage lies the explanation for the government's decision to order undocumented aliens out, as a sovereign state has every right to do to reserve jobs for its own citizens and ease social strain. The last time Nigeria issued such an order, some 2 million people from other West African countries were pushed helter-skelter over the border, with great personal suffering. This time hundreds of thousands are affected, and the current military government is taking a certain care to see that no similar face of bureaucratic indifference is presented to the world — although reports make plain that the exodus is not going altogether smoothly.

One wonders what these unfortunate people are going to do. Most are apparently from Ghana, where the first batch of returnees are being dispersed to their home villages. Yet the circumstances that drove them from their villages in the first place — broadly speaking: impoverishment in the case of Ghana, Benin and Togo; raw hunger in the case of drought-

afflicted Niger and Chad — are worse now. The movement of large numbers of people across borders is a signal of distress; their movement back is a signal of double distress.

The famine in Ethiopia may have given many Westerners the notion that distress in Africa has a special Marxist origin. It would be more accurate to say that Ethiopia's government, in its Marxist fashion, has aggravated a condition of underdevelopment and dependency that has made most of Africa a disaster area without parallel in recent times. The resources to provide life, a livelihood and the politically and psychologically necessary sense of progress have simply not been available. As a result the greater part of a continent is gripped in a pervasive long-term crisis that has forced a focus on short-term emergency needs. Even these are not being adequately met.

Meanwhile, local authorities and foreign experts grope for ways to restore a process of development and growth. The exodus from Nigeria is one more sign of the desperation.

— THE WASHINGTON POST.

The Spanish Could Help

One of history's improbable detours carried President Reagan to Iberia last week. Twenty years ago democracy seemed a forlorn dream in Spain and Portugal, Western Europe's last enclaves of tyranny. But even under Franco and Salazar, the seeds of freedom were fermenting. After them, with vital help from Europe's parliamentarians, a new leadership made Iberia safe for stable, democratic rule.

Mr. Reagan said the right words about this dramatic transformation and dealt deftly with Spain's domestic debate over American bases and membership in NATO. What is less evident is his grasp of the remarkable opportunity presented by the rise of Felipe González. Spain's Socialist prime minister, who is becoming the democratic counterweight to Fidel Castro in the Hispanic world.

Spain is a gateway to the New World, as its sailors discovered almost 500 years ago. Its proud creation was the empire it lost, and its former colonies are still intangibly tied to Castile. The bond transcends ideology. Fascist Spain did not forsake Communist Cuba, despite a U.S.-led boycott. Democratic Spain is not about to forsake Marxist Nicaragua.

Then why not constructively engage Mr. González in Central American diplomacy? He wants to join the search for a political settle-

ment. Having come of age under Franco, he well understands Nicaragua's suffering under the Somozas. And no Spaniard needs instruction in the U.S. habit of talking piously about freedom while doing business with caudillos. A 1953 deal with Franco established the U.S. bases that Spain now wants to phase out.

But Mr. González also understands much more than the Sandinistas. They see free elections as a concession to enemies; he sees them as an imperative check on power. They equate U.S. principles with hubbub; he grasps the muddled logic of having a claim as guarantor of Spanish democracy. They treat diplomacy as a morality play; he sees it as give-and-take, and so he struck a bargain to make Spain's involvement with NATO acceptable to his people. This performance earns him a hearing when he tells Mr. Reagan that economic sanctions will not topple or alter the Managua regime.

To use Prime Minister González's good offices requires two things: a willingness to consider seriously a political settlement with Managua, and a leap of historic understanding. It may be that this asks and hopes for too much from Washington. But a president properly impressed by Iberia's flourishing democracy would find ways to put it to use.

— THE NEW YORK TIMES.

Other Opinion

Citizenship for Palestinians

It is necessary to recognize the right of the Palestinians to determine their future, and to stop treating them like second-class citizens. If it is not possible for them to have a state, then they should have citizenship in a confederation with Jordan. It is humiliating not to have

citizenship. There are some people in Arab countries who do not want the Palestinian problem resolved because it serves their purpose. The Soviets also want the trouble in the area to continue. Including the Soviets in a peace conference would be destructive.

— Mustafa Amin, co-founder of the Cairo daily Al-Akhbar, quoted in World Press Review.

FROM OUR MAY 13 PAGES, 75 AND 50 YEARS AGO

1910: Anti-Foreign Unrest in China
CANTON — The unrest which has been developing in the south of China during the past year is intensifying. The superstitious reading of serious portents, in the coming of the comet, augurs are ready to seize any pretext to create anti-foreign and anti-Manchu trouble. The Self-Government Society is agitating against America. Several secret meetings have followed the public one of April, when the society resolved to boycott American trade unless its appeal to the President brought a stop to the alleged ill treatment of Chinese merchants and students at San Francisco. American merchants here are anxious.

1935: Marshal Pilsudski Dies at 68
WARSAW — Marshal Josef Pilsudski, Poland's iron man and dictator, a founder of the Republic and one of the nation's most patriotic sons, died here of uremia [May 12]. He was in his 68th year. He devoted his life to fighting for the independence of Poland, a fight which put him in prison four times and forced him into exile at one time. He finally saw his dream come true and he formed the first Polish government when the nation was proclaimed a republic in November, 1918, as the German armies collapsed in the west. In May, 1926, he launched a coup d'Etat and established himself as a dictator and held that power until his death.

Arms Control Can Be Had, If Wanted

By Jimmy Carter

Former President Carter founded the Carter Center, at Emory University in Atlanta, to conduct programs dealing with global problems.

PLAINS, Georgia — Many people ask me if there is a chance for success in the arms control negotiations in Geneva. The answer depends upon whether the two sides genuinely want agreement or whether they are mainly interested in scoring propaganda points. This question has yet to be resolved.

Success will depend on each side's willingness to respect the other — to concede the other side's right to exist, to acknowledge the possibility that both share common goals and that both are willing to negotiate in good faith and honor an agreement once it is signed.

These basic elements of trust have received short shrift during the last four years. President Reagan has claimed that the Soviet system is internally so rotten that it will soon be on the ash heap of history, and that the Soviets want war, not peace, and have habitually violated the agreements concluded by his predecessors. Similar statements have come from the Kremlin. In this atmosphere progress is impossible.

As I know from personal experience, it is difficult enough to conclude agreements even when both sides are determined to succeed. Reaching agreement on strategic weapons, for example, involves complex questions of definition, numerical limits and verification. The additional task of resolving disputes about intermediate-range missiles in Europe has increased the difficulty of reaching an overall agreement.

Allegations of Soviet violations of existing agreements, and Soviet fears about President Reagan's Strategic Defense Initiative, have added further distrust and complexity to the public maneuvering and private negotiations. To assess these issues, former President Gerald Ford and I have been co-chairmen of an extensive study of international security and arms control sponsored by the Carter Center of Emory University in Atlanta. In three sessions — the most recent involving a Soviet delegation headed by Ambassador Anatoli Dobrynin — we reached several general conclusions.

One was that since the time of President Kennedy, both sides had generally negotiated in good faith and that agreements enhanced world peace and stability. Another was that, except for a few technical violations on both sides, the agreements had been honored.

Despite heated discussions and sharp exchanges — most often among members of the American delegation, which consisted of members of the Reagan administration and three previous administrations — a surprising consensus emerged among the participants, and I came away convinced that even the more contentious issues could be resolved by the superpowers in a mutually satisfactory way.

The first order of business is for both sides to demonstrate that they are sincere about nuclear

arms control. Both should consent to abide by existing agreements even though they may not be formally in effect, and that includes the Interim Agreement on Offensive Arms, the Threshold Test Ban Treaty and SALT-2.

There will be an important test of this commitment late this summer when the number of missiles on the new Trident submarine will exceed the SALT-2 limits — unless an equivalent number of older, perhaps obsolete weapons are retired. Similarly, the Senate should ratify the Threshold Test Ban Treaty, and commensurate with verification capabilities, explosion limits could be steadily lowered from

Reagan should reassess 'star wars.' Even if the SDI proves feasible several decades from now, it would be destabilizing and prohibitively expensive.

the present level of 150 kilotons. This could lead to a comprehensive test ban agreement.

Meanwhile, Mr. Reagan should reassess "star wars." Even if it proves feasible several decades from now, it would be destabilizing and prohibitively expensive. It also creates the false impression that deterrence by countervailing offensive systems is morally wrong.

The "star wars" issue appears to be the most serious overall obstacle at Geneva. The Soviet side is unwilling to consider deep reductions in offensive weapons as long as the possibility of new strategic defensive deployments is not definitively foreclosed; the American side wishes to negotiate precisely such deep reductions while holding open the "star wars" option for an indefinite time, pending completion of research to establish its feasibility.

The Soviets made it clear at the Emory conference that independent agreements might be concluded on the three subjects at Geneva — strategic offenses, intermediate-range weapons in Europe and strategic defenses — but that all three had to be negotiated simultaneously and in depth. They are under the impression that America considers "star wars" non-negotiable. There is a way around this apparent impasse. The United States and the Soviet Union could continue to adhere to the Anti-Ballistic Missile

Treaty and the Outer Space Treaty, with a pledge that no steps be taken contrary to the terms of those agreements until prior negotiations have been exhausted. Research is permitted by the ABM treaty, but development and testing is prohibited in the SDI are not. Through negotiation, the parties should clarify the terms of the ABM treaty to distinguish between research and development, and there should be clear notice of any possible plans to abrogate or deliberately violate the treaty's terms immediately before such action is planned.

The Soviets have made several proposals, perhaps for propaganda purposes, that should nonetheless be seriously considered. These include on-site inspection to resolve allegations of treaty violations, and the banning of any deployment of weapons in space and of further testing of anti-satellite weapons. They also propose a pause, or waiting period, in the further deployment of strategic weapons.

The latter proposal was supported by many of the Americans at the Emory meeting as a good way to use America's vulnerable MX missiles in fixed silos as an immediate bargaining chip. That is, the United States would refrain from deploying the MX in exchange for a Soviet commitment not to deploy the more valuable SS-24 and SS-25 missiles.

Over the long haul, both sides should aim at much smaller nuclear forces whose obvious purpose is deterrence, not a first strike. Both should make every effort greatly to reduce offensive nuclear arms, without letting the possibility of future development in strategic defensive systems inhibit such reductions.

Such a plan might comprise a relatively small number of single-warhead launchers (perhaps 2,000) deployed as invulnerably as possible — on movable platforms, in deep and hardened silos on the protected southern side of mountain ranges or in submarines deployed in ocean havens. The exact number of strategic weapons is not as important as balance, survivability and assured deterrence. It will also be necessary to persuade the other nuclear nations to reduce their arsenals in a comparable manner.

To avoid the frustrations that arise out of the U.S. Senate's failure to ratify negotiated treaties, future documents might be framed as executive agreements, requiring a majority vote in both houses. That would avoid the veto power of a mere one-third of Senate members, many of whom are philosophically opposed to any reasonable agreement involving arms control, the Soviet Union or international agencies.

My hope is that arms control agreements will be reached and that the only issues will then be how to present them to Congress and how to carry them out. It is not an impossible dream.

The New York Times.

Forty Years On, Russians Await 'Time to Live'

By Robert C. Tucker

PRINCETON, New Jersey — The news of Germany's surrender reached the Soviet people early on May 10, a day none of us who were in the U.S. Embassy in Moscow will forget. Red Square was awash with people milling, smiling, congratulating anyone in uniform.

The uniformed Americans who went out of the embassy's chancery, across from the Kremlin, were carried off to Red Square on the shoulders of exultant Muscovites. A civilian attaché, I joined the crowd in the square. My most vivid memory is of a Red Army major looking toward me and saying to no one in particular, "Now it's time to live!"

In front of the chancery, where the Stars and Stripes were displayed, thousands crowded to express gratitude and goodwill toward the country that had stood by the Soviet Union in its darkest hour, sending munitions, food, Jeep and trucks that helped win a fight for national survival in which 20 million or more lost their lives. The Soviet press had said little about the scale of Lend-Lease aid, but the people knew: "Studebaker" and "Villis" (for Jeep) were Russian words by then, and canned Spam helped civilians and soldiers survive years of hunger.

The throng held up no placards and shouted no slogans. It was something almost unthinkable in Stalin's Russia — a spontaneous popular demonstration. George F. Kennan, then chargé d'affaires, stepped onto the pedestal of a column and addressed the people in Russian, congratulating them on victory day. They responded with a roar of appreciation.

Apart from relief that the war was over, they had grounds to be hopeful. In spring 1941, 1942, to solidify popular support for the war effort, Stalin's regime had spread word through the rumor grapevine — the country's real communications network — that things would be different after victory. Americans would open department stores in the cities. Collective farms would be disbanded. Students could study abroad. There would be freedom of expression in culture. No wonder people like that major in Red Square thought it was "time to live."

But Russia's autocratic ruler harbored other ideas. When Nikita Khrushchev telephoned him on May 9, V-E Day, to congratulate him on the victory, Stalin rudely cut him off, saying he was wasting time. Recalling the conversation in his memoirs, Khrushchev interpreted Stalin's behavior to mean that "since the war was over and done with, he was already thinking about other, more important matters." Perhaps.

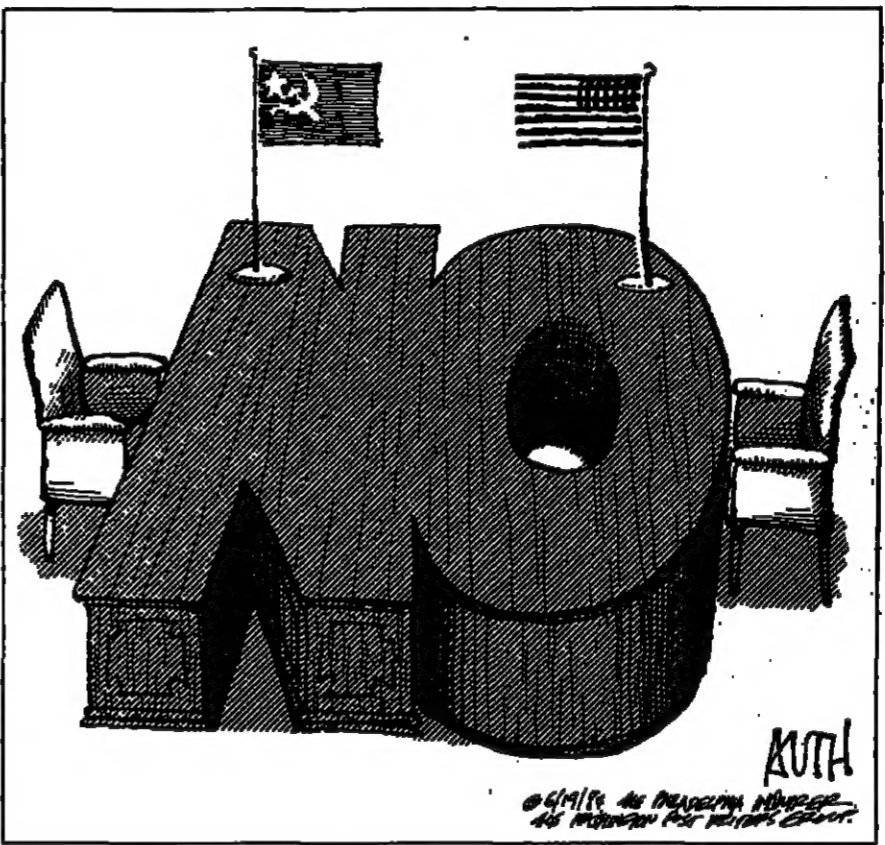
Later, of course, all hopes were dashed. It was not "time to live" after all, but time to gear up for another great war whose strong possibility was lodged, Stalin said on Feb. 9, 1946, in the nature of "imperialism." Hence three or four more five-year plans would be needed to guarantee against "all contingencies."

A Russian in whose apartment I was sitting when Stalin's speech came over the radio lay his head on his folded arms when he heard those words. All over Russia, I believe, people did the same. It was the end of expectations for a postwar life free of the tension and privation experienced throughout the 1930s. The postwar period was being prefigured as a potential new prewar period. The Cold War was on.

The rest is familiar. Stalin died in 1953 but Russia has yet to cast off the incubus of his legacy. It lives on in centralized bureaucratic administration, censorship of public expression, imperial rule over neighboring lands, economic ills and a decline of ideological belief. Although the Cold War ended, in some sense, after Stalin died, superpower relations are at a low point. After five years of hostile occupation, 115,000 Soviet troops are still fighting to subdue once-neutral Afghanistan.

Forty years later, what an American who remembers V-E Day in Moscow wishes for the peoples of the Soviet Union is the freer life they hoped for in World War II, were denied when it ended and still have not obtained despite improvements in their lot since Stalin's time.

The writer, author of "Stalin as Revolutionary," is an emeritus professor of politics at Princeton University. He contributed this to The New York Times.



Cave Folk Sleep Here, Grate Folk Sleep There

By Ellen Goodman

MOSCOW — When a group of American congressmen left here recently, there was a final barbed exchange of invitations between Representative Robert Michel and General Secretary Mikhail Gorbachev. The new Soviet Secretary invited the congressmen to come back for a longer visit so they could see "we don't all live in caves." The congressmen from Illinois invited Mr. Gorbachev to the United States to see "we don't all sleep on grates."

But the widest gap between image and self-image emerges one night in a home in Leningrad. My hosts, Lydia and Alenka, are gracious but uneasy, and halfway through a supper of dumplings and cake I suspect that I am the first American this young family has ever entertained. When the talk turns to world affairs the doctor expresses her utter conviction that the Soviet Union is peace-loving and America is threatening. When I tell her that many Americans believe the reverse, she is sincerely startled. If it is so, she says quietly but firmly, it is

because of your propaganda. As I leave, she gives me a copy of John Steinbeck's "Grapes of Wrath" and I have the distinct impression that she believes it is banned in America.

More than once in these two weeks I have been tempted to shake my head in disbelief at Soviet descriptions of America. But each time, I think about the Gorbachev-Michel exchange, about Americans' own narrow vision.

An excellent Leningrad sociologist, Vladimir Lisovski, tells me pointedly of his trip to America and it echoes with my own experience. As Mr. Lisovski left the New Jersey family he was visiting, he said to me, "You know, I am a Communist." They said, "No, no, you are too jovial, too nice," and he repeated it until at last, implicitly and provocatively, he said to them, "What do I have to do to make you believe me? Put a knife between my teeth!"

Many are the misconceptions between the land of caves and the land of grates.

Washington Post Writers Group.

LETTERS TO THE EDITOR

Damascus Should Be Dealt In

Regarding the opinion column "Midwest: Pitfalls of U.S. Activism" (April 13):

What I find constructive in Fouad Ajami's column, insofar as a peaceful settlement in the Middle East is concerned, is the Syrian factor. Syria should be included in the peace process from the start. In addition to its concern for the Palestinian problem, Syria has land occupied by Israel that should be part of a comprehensive settlement. Trying to negotiate the Palestinian problem without Syria would be futile; the consequences, which might be far-reaching, would complicate the Palestinian problem and the Israeli-Syrian conflict.

The United States, because of its military and economic support for Israel, has a moral and political obligation to play an active role in the Arab-Israeli conflict — but not in Lebanon.

A.A. BIN DAAEY
Vienna.

Suicide Bombers in Lebanon

A report appeared on Page 2 of your April 13 issue ("A Death in Lebanon: Do Not Be Sad") about a suicide bombing against the Israeli occupying forces in southern Lebanon carried out by a 16-year-old Lebanese girl, Sara Mdeleleh, on April 9. On April 16 a second report ("Would-Be Suicide Bomber: Tells of Blackmail") on your front page told the line: Israeli propaganda, explaining away the resistance of Lebanese to Israeli occupation as the misguided acts of blackmailed youngsters.

It is natural that Israeli propaganda would

want to portray them as such. It is unfortunate that the NYT would join in this propaganda.

AZZE S. EDD
Riyadh.

Tamerlane Wasn't Turkish

Regarding the report "Byron Essay Is Found in London Cellar" (April 29):

The discovery of Lord Byron's satirical essay on the brutality of war is welcome news. Its subject, Tamerlane, was not, however, a "Turkish conqueror." After conquering most of Asia, he was reluctantly drawn into conflict with the Ottoman empire. His Mongol army routed the forces of Sultan Bayezid I and overtook Asia Minor. Turks were thus among his victims.

MALCOLM TRONIC
Zaragoza, Spain.

Complain to the Management

I have been following with interest the reports on the Philadelphia IRS. If my case is at all typical, the rot set in long before the new computer was installed, for my troubles began with the loss of my 1980 return by Philadelphia and the erroneous attribution of two 1982 payments to 1981. This led to an erroneous refund on the 1981 return and four long years of frustrating correspondence. After the IRS representative in Paris suggested that I write to a special office in Washington set up to investigate taxpayer complaints, my file was straightened out, as if by magic, in a little over a month.

JULIEN HOLLANDS
Paris.

INTERNATIONAL HERALD TRIBUNE

JOHN HAY WHITNEY, Chairman 1984-1985

KATHARINE GRAHAM, WILLIAM S. PALEY, ARTHUR OCHS SULZBERGER
Co-Chairmen

LEE W. HUEBNER, Publisher
Executive Editor: RENÉ BONDY
Editor: ALAIN LECOUR
Deputy Editor: RICHARD H. MORGAN
Deputy Editor: STEPHAN W. CONWAY
Deputy Editor: ROBERT S. DESMONDS
Deputy Editor: ROLF D. KRANEPUHL, Director of Advertising Sales

International Herald Tribune, 151 Avenue Charles-de-Gaulle, 92200 Neuilly-sur-Seine, France. Tel. (1) 47-12-12. Telex: 612719 (Herald). Cable: Her Trib. ISSN: 0244-8052.

Asia Headquarters: 25-25 Hongkong Rd., Hong Kong, Tel. 5-285918, Telex 61170. Managing Director: Mr. Robert Macdonald, 60 Long Ave., Long Beach, CA 90801, Tel. 310-460-2000. Gen. Mgr. U.S. Edition: Mr. Lawrence Sanders, 15, 6000 Franklin Rd., N.Y. 10017, Tel. 467-2121. U.S. circulation: 1,200,000. Second-class postage paid at Long Island City, N.Y. 11101. U.S. Mail: 750-120. International Herald Tribune. All rights reserved.

UPK00150

The Reagan Visit: European Efforts at Self-Assertion Raised 'Internal Contradictions'

By John Vinocur

New York Times Service

PARIS — When President Ronald Reagan came to Europe earlier this month to confront it with big decisions on participation in his Strategic Defense Initiative and on such economic issues as protectionism and trade regulation, the United States' allies were intrigued observers. They were looking to gauge the president's strength, to see for themselves a man they

opinion in mind. In Moscow, Mr. Gorbachev accused the United States of growing more "belligerent," while in Strasbourg, the president charged that the Soviet Union was undermining nuclear stability with a new multiple-warhead missile.

But when the two leaders addressed each other directly, they softened their tone. In an exchange of messages, Mr. Reagan called for renewed progress toward a more stable peace. Mr. Gorbachev, recalling the wartime cooperation, pledged his efforts to prevent nuclear catastrophe.

Mr. Reagan returned to Washington on Friday, proclaiming "a successful trip." But after stops in Bonn, Madrid, Strasbourg and Lisbon, after the discomfort and outrage of the Bitburg cemetery, after the hung-hungry aspects of the final communiqué from the economic summit meeting, after the hoots and applause at the cheer-up Europe speech before the European Parliament, Europe was paying less attention to Mr. Reagan's political health than to his own.

Few besides himself thought he had swept triumphantly through Europe — his progress was laborious at best. For the Europeans, the issue was barely there. Their main concern was how his visit, particularly at the Bonn meeting,

showed their inability to agree among themselves.

France and West Germany were at odds over the Strategic Defense Initiative proposal — France was against participation; West Germany apparently for — and whether to go ahead with international talks over trade protection.

If some Europeans had hoped to find a greater chance for self-assertion in signs of a more cautious, more pliable Reagan administration, they would find strengthening the arguments of the Americans who consider Europe to be what Jean François-Poncet calls "a useless complication that barely merits attention."

'It seems as if Europe, with its divisions and turnabouts, has its heart set on justifying America's indifference and irritation,' said Jean François-Poncet, a former French minister.

ism. West Germany was for the talks; France was not.

Italy wavered, with France describing Italy as sympathetic to its position on trade, and West Germany suggesting that it might respond favorably on participation in the Strategic Defense Initiative together with the Socialist government of Prime Minister Bettino Craxi. Britain sought to minimize the problem.

But other Europeans, pointing to the growing U.S. attachment to the Pacific, spoke in despair of how little reason the Americans had to take them seriously.

"It seems as if Europe, with its divisions and turnabouts, has its heart set on justifying America's indifference and irritation," said Mr. François-Poncet, a former French minister for external relations.

Jacques Attali, President François Mitterrand's chief adviser, acknowledging Europe's "internal contradictions," tried to put the best face he could on the situation. "It isn't the first time that the Europeans are divided, and I imagine it isn't the last," he said.

What had happened was that Mr. Reagan's presence, rather than pushing the Europeans

together, lifted the cover from the contradictions that the allies had managed to talk around when they were only talking among themselves. By saying "no" to participation in the U.S. research program on space weapons, Mr. Mitterrand may have satisfied a traditional notion of French independence. However, he removed the possibility of a joint European position that the West Germans have said was the best method of testing a possible second-term slowdown by Mr. Reagan and assuring an equal-to-equal relationship concerning the space program.

Now, those countries weighing participation may have to deal individually with Washington, the surest way, according to some Europeans, of becoming what Mr. Mitterrand contemptuously referred to as "subcontractors" in the enterprise.

On the trade issue, the Europeans' assessment of the president's strength seemed to have been a factor in the failed attempt to agree on new talks in 1986 aimed at limiting protectionism. The package that would have led to the talks contained a promise by the United States to reduce the budget deficit and lower interest rates.

This assumed willingness by the Europeans to accept at face value a pledge by Mr. Reagan to attack the deficit. One of the French explanations

for Mr. Mitterrand's refusal to agree to a date for trade talks was that he believed that Mr. Reagan was not strong enough at home to produce a lowered deficit and that the quid-pro-quo arrangement was meaningless.

Alongside these central issues, Mr. Reagan may have taken home a lingering sense of uncertainty in Europe. His economic sanctions against Nicaragua are clearly unpopular among the allies, but there was no united criticism or condemnation on a matter that is tangential to European interests.

One of the biggest ironies of Mr. Reagan's trip is that, in spite of his pleas for a strong Europe, the discussions that his visit triggered exposed the Europeans' political divisions. The exposure came when the European Community countries were planning to discuss institutional reforms that would help them to act more flexibly and as a more cohesive political unit.

In looking at the situation, Mr. François-Poncet cautioned the United States against finding any secret pleasure in Europe's difficulties.

"It is not only Europe that is in question," he said. "Its impotence weakens America on the globe, and America would do well to notice."

NEWS ANALYSIS

thought might be slipping, particularly when his communications magic seemed to be flagging.

Second-term American presidents become lame ducks in Cologne as well as at home; their limp, if signaled, can turn into an international message of political caution.

The issue of presidential leadership took on added importance because of the broader issues of war and peace that came to the fore during a week that marked the 40th anniversary of the end of World War II in Europe.

Mr. Reagan and the Soviet leader, Mikhail S. Gorbachev, talked at each other, often in harsh terms, and undoubtedly with West European

3 Countries Coordinating Nazi Hunt

By Ralph Blumenthal

New York Times Service

NEW YORK — The United States, West Germany and Israel have announced a new coordinated effort to track down and prosecute Josef Mengele, the elusive Nazi death camp doctor.

After two days of meetings in Frankfurt, the U.S. Justice Department said Friday, law enforcement officials of the three countries "resolved to open direct lines of communication at the prosecutorial and investigative levels" with the aim of bringing Dr. Mengele to trial for "crimes against humanity."

West German arrest papers charge him with selecting victims for gassing and medical experiments at the Auschwitz extermination camp in Poland.

The agreement, the most ambitious international effort since World War II to hunt down a former Nazi, comes 40 years after Dr. Mengele shed his SS uniform and boldly resided in his hometown in the American sector of Germany. Later he disappeared, to resurface in South America under his own name, as the head of the family's line of farm machinery, before going underground again.

The new international cooperation follows years of virtually no official interest and only faint unofficial moves to find Dr. Mengele, now regarded as the world's most wanted fugitive, with a price of nearly \$4 million on his head.

Why the case, after lying dormant for so many years, should now assume such extraordinary proportions is unclear, but some officials say it has to do with the 40th anniversary of Germany's defeat and a long-delayed coming to grips with issues of the Holocaust.

Investigators and other experts interviewed in recent months said they believed that Dr. Mengele was still alive at age 74 and hiding in his longtime refuge of Paraguay.

In a television interview, the Paraguayan leader, General Alfredo Stroessner, recently denied knowing Dr. Mengele and told ABC News: "I don't know where he is, and we cannot find out where he is."

But accounts from Mengele associates obtained by a New York Times reporter place Dr. Mengele in Paraguay as recently as 1982.

The investigations also have brought to light these disclosures, among others:

• For about four years after fleeing Auschwitz, Dr. Mengele lived openly, by all accounts, in or around his hometown of Günzburg, in Bavaria.

• At some point, Dr. Mengele may have been taken into custody by American forces, according to ambiguous notations in U.S. Army records and recollections by former American soldiers.

• In 1956, in Argentina, Dr. Mengele abandoned a longtime alias and resurfaced under his own name, in which he secured citizenship in Paraguay.

• In Paraguay, in the 1960s, officials of the Stroessner government tipped off Dr. Mengele that Israeli agents were looking for him.



Protesters threw bottles and other objects at policemen outside a hotel where former SS members were meeting.

19 Hurt in Protest Against SS Reunion in Bavaria

By William Drozdzak

Washington Post Service

NESSELWANG, West Germany — The controversy in West Germany over the legacy of SS soldiers erupted into violence as 400 anti-Nazi activists laid siege to a hotel here where several hundred veterans of the Waffen SS were holding a reunion.

Chanting "Nazis out," the protesters pelted the hotel with bottles, paint bombs and eggs for more than an hour Saturday before the police restored order by firing jets of water laced with tear gas into the crowd. Nineteen persons, including 15 policemen, were injured and 15 of 71 persons arrested still were in custody, the police said.

The attackers, described by the police as "punks and anarchists," had assembled in front of the Hotel Kronen as part of a peaceful demonstration of 5,000 people marching past to demand the expulsion of the Waffen SS veterans from this small Alpine resort town.

The May 5 wreath-laying ceremony by President Ronald Reagan and Chancellor Helmut Kohl at the Bitburg military graveyard, where 49 Waffen SS troops are buried along with hundreds of other soldiers, appears to have intensified the conflict between the SS veterans and those opposed to their reunions.

Several former SS members here said they felt vindicated by Mr. Reagan's appearance at the cemetery because it demonstrated that they deserved the same respect as other soldiers.

"Reagan is the best president the United States ever had," said Walter Krueger, 72, a former SS major in the 1st Panzer Corps. "It was always the fate of German people to suffer in war under weak and sickly presidents like Wilson and Roosevelt."

Reunions of SS divisions are annual affairs in West Germany and traditionally attract protests. The demonstration Saturday, however, was larger and more violent than previous gatherings.

The SS veterans contend that their meetings are designed only to bring together former wartime comrades and to help needy pensioners among them.

They also accused the protesters of seeking to perpetuate the Nazi mystique, citing the appearance of known members of neo-Nazi groups at some of the reunions.

The police said Saturday that about 20 members of the neo-Nazi group Viking Youth who had come to lend support to the SS veterans were sent out of town after scuffling with anti-Nazi demonstrators.

Nesselwang's town council had sought to ban SS gatherings this year but found that no legal action could be taken as long as the veterans held a private session and did not promote Nazi ideas.

Jewish and civil rights groups in West Germany have accused the veterans of seeking to perpetuate the Nazi mystique, citing the appearance of known members of neo-Nazi groups at some of the reunions.

The police said Saturday that about 20 members of the neo-Nazi group Viking Youth who had come to lend support to the SS veterans were sent out of town after scuffling with anti-Nazi demonstrators.

Nesselwang's town council had sought to ban SS gatherings this year but found that no legal action could be taken as long as the veterans held a private session and did not promote Nazi ideas.

They also accused the protesters of seeking to perpetuate the Nazi mystique, citing the appearance of known members of neo-Nazi groups at some of the reunions.

The police said Saturday that about 20 members of the neo-Nazi group Viking Youth who had come to lend support to the SS veterans were sent out of town after scuffling with anti-Nazi demonstrators.

Nesselwang's town council had sought to ban SS gatherings this year but found that no legal action could be taken as long as the veterans held a private session and did not promote Nazi ideas.

They also accused the protesters of seeking to perpetuate the Nazi mystique, citing the appearance of known members of neo-Nazi groups at some of the reunions.

The police said Saturday that about 20 members of the neo-Nazi group Viking Youth who had come to lend support to the SS veterans were sent out of town after scuffling with anti-Nazi demonstrators.

Nesselwang's town council had sought to ban SS gatherings this year but found that no legal action could be taken as long as the veterans held a private session and did not promote Nazi ideas.

They also accused the protesters of seeking to perpetuate the Nazi mystique, citing the appearance of known members of neo-Nazi groups at some of the reunions.

The police said Saturday that about 20 members of the neo-Nazi group Viking Youth who had come to lend support to the SS veterans were sent out of town after scuffling with anti-Nazi demonstrators.

Nesselwang's town council had sought to ban SS gatherings this year but found that no legal action could be taken as long as the veterans held a private session and did not promote Nazi ideas.

They also accused the protesters of seeking to perpetuate the Nazi mystique, citing the appearance of known members of neo-Nazi groups at some of the reunions.

The police said Saturday that about 20 members of the neo-Nazi group Viking Youth who had come to lend support to the SS veterans were sent out of town after scuffling with anti-Nazi demonstrators.

Nesselwang's town council had sought to ban SS gatherings this year but found that no legal action could be taken as long as the veterans held a private session and did not promote Nazi ideas.

They also accused the protesters of seeking to perpetuate the Nazi mystique, citing the appearance of known members of neo-Nazi groups at some of the reunions.

The police said Saturday that about 20 members of the neo-Nazi group Viking Youth who had come to lend support to the SS veterans were sent out of town after scuffling with anti-Nazi demonstrators.

Nesselwang's town council had sought to ban SS gatherings this year but found that no legal action could be taken as long as the veterans held a private session and did not promote Nazi ideas.

They also accused the protesters of seeking to perpetuate the Nazi mystique, citing the appearance of known members of neo-Nazi groups at some of the reunions.

Sweden Calls Lockout After Talks Fail

By Barnaby J. Feder

New York Times Service

STOCKHOLM — The Swedish government has taken measures to combat the disruption of schools and government services expected Monday after the breakdown of negotiations on a pay dispute with Sweden's largest white-collar civil service union.

The union on Saturday rejected a proposal by mediators, and the government began a lockout of 80,000 employees, including 55,000 secondary school teachers. The lockout is intended to force a settlement by draining the union's financial resources. The union pays the full salary of striking members.

Since the start of May, a selective strike by 20,000 members of the 263,000-member union has shut Sweden's airports, led to long delays and sharply higher costs in the transportation of exports and imports, and disrupted the issuing of such documents as passports.

The union has been asking for a 3.1-percent pay increase, on top of 5 percent agreed to by other unions in centralized wage negotiations. It argues that its present contract provided for the extra increase to keep it level with employees of private businesses.

The government has insisted that a breach of the 3-percent ceiling this year would be fatal to its efforts to control inflation. It is widely assumed that a victory by the civil servants' union would shatter the wage agreement with the other unions.

Only several hundred museum and theater workers were affected by the lockout during the weekend, but about 55,000 teachers in secondary schools and workers at 150 agencies will be affected Monday. The labor dispute is the most extensive involving public employees in Swedish history.

The union has sought so far to limit the impact of its action on the public. Among the services it controls is Sweden's electricity supply.

Stadium Is Briefly Home For Expelled Ghanaians

By Sheila Rule

New York Times Service

ACCRA, Ghana — The stands and playing fields of the sports stadium here have served in recent days as a joyless transit station for thousands of the poor, tired and anxious Ghanaians who have been ordered out of Nigeria as illegal immigrants.

Many have made the 300-mile (486-kilometer) trip from Lagos to Accra, Ghana's capital, as human cargo of sorts, tightly packed in huge trucks. The Nigerian authorities had given aliens until last Friday to obtain residence permits or leave.

For many at the stadium and another reception center nearby, Accra was a brief stop in a journey to remote parts of this poor country.

Officials here said that about 62,000 Ghanaians had arrived since Nigeria announced the expulsion plan in mid-April. The number was far short of the 300,000 Ghanaians believed to have been working in Nigeria. Some officials and returning Ghanaians said many were still stranded in Nigeria, unable to pay for transportation home.

A Ghanaian statement said the Nigerian government had pledged to accommodate all remaining illegal aliens at a camp from which they would be taken to Ghana and other countries by ship or aircraft.

[At Seme, Nigeria, a major crossing point on the border with Benin, more than 20,000 people were caught by the border closure and a line of more than 300 vehicles stretched back along the road, Reuters reported Sunday from Lagos.]

[The people refused to comply with a Nigerian government directive that they return to a transit camp near Lagos, about 55 miles away, to await transportation home by sea. Many said they lacked water and had no money left to buy food.]

On May 3, the Nigerian government told 700,000 illegal aliens that they had a week to leave and that the borders, previously closed to prevent currency smuggling, would be open for their departure. In addition to the 300,000 from Ghana, there were about 100,000 from Niger, most of the rest were from Chad and Cameroon.

It was Nigeria's second mass expulsion. It expelled about two million foreigners, one million of them Ghanaians, in January 1983. Most of the foreigners had been attracted to Nigeria in hopes of fleeing drought or of gaining a financial foothold in a country made relatively prosperous by its oil.

But falling oil prices have slowed Nigeria's economy, and foreigners have been viewed as depriving citizens of jobs. Authorities have also blamed the foreigners for high crime rates in the cities.

"We have done nothing except to look for the better way of life," said a woman who was loading a mattress and a sewing machine onto a truck for her journey to a town about 100 miles from Accra. "They wanted us to leave, so we will go."

Mr. Balovienkov, whose temperature was equal to 40.5 degrees Centigrade, has gone without solid food since March 25 to call attention to his application for the visa. He wishes to join his American wife, Elena, in Moscow, and his two daughters in Baltimore, Maryland.

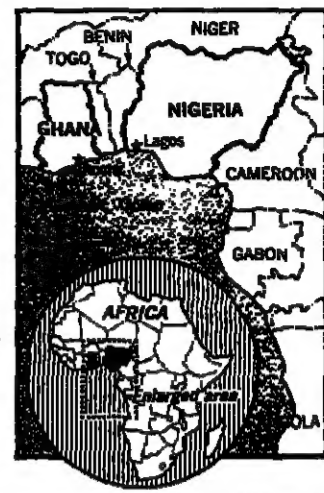
His mother, Nina Petrova, said she went to the visa office Saturday at official request but was told only that it would take two or three months more to examine her son's application documents.

Mr. Balovienkov's parents were veterans of the Great Patriotic War, as World War II is called here, and they recently received medals to honor their service.

"Thank you for the big present," Nina Petrova said she told the official who gave her the medal. "All the people are celebrating, and we are crying."

Mr. Balovienkov said that in the past he has been promised an exit visa. The authorities have said that his job in 1982 gave him access to state secrets and thus he would be temporarily denied permission to emigrate.

Mr. Balovienkov has discussed his case with Speaker Thomas P. O'Neill Jr. of the U.S. House of Representatives and other American officials. He is one of about 20 people married to Americans whom the U.S. Embassy in Moscow has tried unsuccessfully to help through diplomatic representations.



The Washington Post

But if we could have had more time, it would have been better for all of us."

Trucks carrying returning Ghanaians have converged on the reception center at the stadium and another at a nearby trade fair site, by a lagoon on the Atlantic.

As they tumbled off the vehicles, many searched for food and water. Though most had no money because Nigerian customs officials had searched them closely and refused to let them carry out more than the 20 naira (\$17.65) allowed by law, many have returned with bicycles, mattresses, electric fans and other items.

The Ghanaian government is imposing customs duties on some of the items, one of several signs that, an official said, the returning Ghanaians will not be "pampered as they were" in the 1983 expulsion.

32 Conservatives Form a Group to Oppose Thatcher

Reuters

LONDON — More than 30 Conservative Party members of Parliament announced Sunday that they have formed a group to oppose the policies of Prime Minister Margaret Thatcher, the party leader.

Francis Pym, a former foreign secretary, and 31 parliamentary colleagues said they have set up an organization called Conservative Center Forward to fight for a more liberal form of conservatism.

The MPs, who have been meeting secretly for several weeks under Mr. Pym's chairmanship, said they would vote as a block against the government in Parliament when they believed such action was justified.

Dissatisfaction has been growing in the party over Mrs. Thatcher's failure to reduce unemployment, which is at a record 2.3 million people, or 13.5 percent of the work force. Several Conservative parliamentarians, worried at the prospect of losing the next general election, due by 1988, have pressed Mrs. Thatcher on the problem.

For Russian, 49th Day of Visa Protest

By William J. Eaton

Los Angeles Times Service

MOSCOW — A Soviet citizen seeking an exit visa to join his family in the United States entered the 49th day of a hunger strike Sunday.

"Today I almost died," Yuri V. Balovienkov, 35, said Saturday in a calm, weak voice. "My temperature went up to 105 degrees Fahrenheit and my blood pressure was very low. It's very difficult for me to stand up and my head is dizzy."

Mr. Balovienkov, whose temperature was equal to 40.5 degrees Centigrade, has gone without solid food since March 25 to call attention to his application for the visa. He wishes to join his American wife, Elena, in Moscow, and his two daughters in Baltimore, Maryland.

His mother, Nina Petrova, said she went to the visa office Saturday at official request but was told only that it would take two or three months more to examine her son's application documents.

Mr. Balovienkov's parents were veterans of the Great Patriotic War, as World War II is called here, and they recently received medals to honor their service.

"Thank you for the big present," Nina Petrova said she told the official who gave her the medal. "All the people are celebrating, and we are crying."

Mr. Balovienkov said that in the past he has been promised an exit visa. The authorities have said that his job in 1982 gave him access to state secrets and thus he would be temporarily denied permission to emigrate.

Mr. Balovienkov has discussed his case with Speaker Thomas P. O'Neill Jr. of the U.S. House of Representatives and other American officials. He is one of about 20 people married to Americans whom the U.S. Embassy in Moscow has tried unsuccessfully to help through diplomatic representations.



General Czeslaw Kiszczak

Polish Aide Attacks U.S. 'Subversion'

By Michael T. Kaufman

New York Times Service

WARSAW — Poland's interior minister, in a speech to the Sejm, or parliament, assessing the state of public order, accused the secret services of the United States and other Western countries of sponsoring political subversion in Poland.

Hours after two U.S. diplomats were expelled Friday from Warsaw on charges of participating in an illegal May Day procession, the interior minister, General Czeslaw Kiszczak, described Poland's political dissidents as "fanatics" or "confused" folks of foreign interests, notably American.

He also accused Washington of using diplomats, students, reporters, tourists and Polish émigrés for spying. The speech was the sharpest in a series of Polish attacks on the United States that have increased in the two weeks since Mikhail S. Gorbachev, the Soviet leader, met here with General Wojciech Jaruzelski, the Polish leader.

After the speech, the assembly

amended the penal code to raise fines, apply stricter sentences for misdemeanors and provide for summary court procedures without right to counsel in lesser crimes. Under these provisions, mere presence near an illegal gathering is punishable by three months in jail.

General Kiszczak said: "We receive an ever greater number of signals of intensified attempts by Western special services to recruit Polish citizens going to the West for espionage tasks. The diplomatic missions of some countries, correspondents accredited in Poland, students on fellowships and even people with tourist visas are being involved in espionage and subversive activities to an ever greater extent."

The two U.S. diplomats, William Harwood and David Hopper, were detained last week at a demonstration in Krakow. They said they were monitoring the procession.

The government asserted that they and four U.S. tourists arrested at another demonstration took part in the protests, shouting slogans and raising their fingers in the forbidden "V" salute of Solidarity, the banned union movement.

"According to our investigation there is a conglomerate of about 300 illegal groups ranging from a few people to several scores," General Kiszczak said. "In all, there are about 1,500 declared enemies of socialism, and around them operate a numerically fluid auxiliary group, some of whom do not fully realize who and what they really serve."

Warning on Krakow Visits — The State Department said Friday that U.S. citizens should exercise caution when visiting the Krakow area, The Washington Post reported from Washington.

"In view of the recent erratic and arbitrary behavior of law-enforcement and security officials in the city of Krakow, U.S. citizens visiting the Krakow area are advised to

exercise extreme caution," said a spokesman, Ed Djerjian.

He said the travel advisory would be reviewed after 30 days. Department officials said privately that while no further action was immediately planned, the United States was keeping its options open until it ascertained whether similar incidents in Krakow had ceased.

Deaths: one was scalded to death in a Turkish bath, another impaled on a flagpole.

Mr. Gould produced the strip for 46 years before retiring in 1977, when it was continued by two other artists.

Mr. Gould was born Nov. 20, 1900, in Pawnee, Oklahoma, and grew up in Stillwater, Oklahoma, where his father was the editor of a weekly newspaper. At age 15 he took a \$20 correspondence course in drawing. As a student at Oklahoma A&M University, he contributed cartoons to an Oklahoma City newspaper.

He attracted the attention of Joseph Medill Patterson, a co-editor of The Chicago Tribune and founder of The Daily News in New York, who had him change the name of the strip from "Plaint-does-Tracey" to "Dick Tracy."

The Tracy strip made its debut Oct. 4, 1931, in the now-defunct Detroit Daily Mirror, a Tribune

Chester Gould, 84, Creator of Dick Tracy Comic Strip, Dies

By Albin Krebs

New York Times Service

NEW YORK — Chester Gould, 84, creator of Dick Tracy, died Saturday of congestive heart failure at his home in Woodstock, Illinois.

Mr. Gould broke away from comic-strip tradition with a hero who was not intended to be humorous. Tracy dispatched murderers and racketeers with grim and graphic violence.

The strip was one of the most popular ever to appear in American newspapers. In the late 1950s, it was carried in nearly 1,000 newspapers worldwide and read by an estimated 65 million people a day.

It was created in 1931, inspired by Mr. Gould's hatred of the underworld and such gangsters as Al Capone.

"Why doesn't someone just meet the louse and shoot him?" he once said.

Devotees of the square-jawed detective in his black suit and snap-

PERSONAL INVESTING

INVESTOR'S Notebook

More Bad News for Bonn

West German observers are braced for another dose of negative news when first quarter gross national product figures come out in the next 10 days. Herbert Wolf, chief economist of Commerzbank AG, estimates that the economy contracted an inflation-adjusted 0.5 to 1 percent in the first quarter when compared with the fourth quarter.

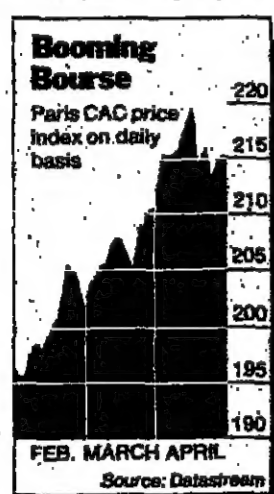
While saying the economy is developing "disappointingly," Mr. Wolf expects it to revive a bit in the second quarter to show 1.5-percent growth from the end of 1984, indicating a 2.5-percent advance for 1985. A March decline in factory orders alarmed some analysts, but Mr. Wolf notes that a strong trade surplus, low inflation, a moderately expanding money supply and government spending discipline are underpinning the economy.

The choppy growth should not unduly affect big exporters, such as Siemens, Daimler and the chemical sector, he says. These companies "will have solid profit growth and stand to see their share prices climb beyond current levels." The construction industry will remain a weak spot, he says.

A Breather for Paris?

Look for the Paris bourse to take a breather before attacking new heights. With the CAC index already up by almost 20 percent since the start of the year, analysts expect a modest correction with the downside risk limited to about 5 percent over the next two months.

Most observers expect the market to come back strong later in the year. They say the bullish environment, created by



good corporate earnings, strong foreign interest, abundant liquidity and expectations of lower domestic interest rates will return.

Analysts are also looking forward to the Mitterrand administration's 1985 tax cut that will take effect in the last quarter of the year. Most expect the reduction to stimulate household demand. Patrick Legrand, a partner at Legrand Lacourte, suggests that investors start looking at consumer-goods stocks like SEB and BSN. David Jones of Savory Mills in London favors the supermarket chain Carrefour and is recommending Darty, an electrical-appliance retailer, for a long-term gain.

More Options on the Way

Last month's U.S. Securities and Exchange Commission's decision to allow big markets, like the New York and American stock exchanges, to trade options on 10 over-the-counter stocks is just a hint of things to come. Gordon Macklin, president of the National Association of Securities Dealers, hopes to introduce options on two over-the-counter indexes by August.

In fact, Mr. Macklin expects that trading in options on the Nasdaq 100, which reflects movements of the largest nonfinancial issues, and the Nasdaq Financial Index will come to dominate the stock options game and pave the way for options on other selected issues. "There could eventually be 80 or 90 stock options traded on these exchanges," Mr. Macklin said. "If you are an options trader, your menu has just been expanded." But market watchers note that the SEC ruling could be bitter-sweet for the NASD. Along with the options, officials gave tentative approval to a plan that would allow U.S. exchanges to trade the OTC stocks as well as their options.

Bullish Views on Gold

Jeffrey Nichols is among the goldbugs who wisely refrain from short-term predictions. But the president of American Precious Metals Advisors in White Plains, New York, is convinced that in one or two years gold will be outperforming stocks and bonds.

His reasons: a shrinking gold surplus available for investment, the willingness of some investors in recent months to bet against the dollar, and sentiment that U.S. monetary policy is easing because of the Federal Reserve's concern about the economy's health. "Deflation talk has disappeared," he notes.

He also finds bullish signals in the many articles on whether President Ronald Reagan has "peaked" politically. In a contrarian sense, "Gold has for several years been a barometer of confidence in the American presidency," he says.

Mochida: The Story Behind a Story Stock

Mochida Pharmaceutical daily share price in yen charted by Datastream



Tokyo's Speculative 'Story Stocks'

By Terry Truico

ITS EARNINGS are falling and no new products are on the market. But for the last year Mochida Pharmaceutical has been the talk of the Tokyo Stock Exchange. Shares skyrocketed from 2,500 yen last spring to an unprecedented 16,000 yen in October, then fell by nearly 8,000 yen in December.

That was only the beginning. The price shot back to 14,300 yen in February, sank to 6,000 yen in April and rebounded again, topping 10,000 yen this month. Its current price/earnings multiple of nearly 700 is almost surreal.

Speculation as well as manipulation played a part in Mochida's wild swings. Groups of professional speculators who prowled the Tokyo exchange clearly helped influence the price. Even competing Japanese political factions, which routinely raise funds on the market, were said to have profited handsomely from its ups and downs.

But at the core of Mochida's extravagant price acrobatics was a story. The company is said to be working on several anti-cancer agents, including a drug known as OH-1. Rumors about its untested potential have helped keep Mochida shares active for more than a year.

Mochida is perhaps the best known example of so-called story stocks or "zairyo kabu," issues susceptible to violent price swings that are set off mainly by a story, be it of a revolutionary invention or a miracle drug. Sometimes the story is well grounded. Other times it is pure puff.

Such shares can be a potent market force. Encouraged by a strong wave of speculative fever, enthusiasm for issues related to biotechnology and anti-cancer drugs helped push the Nikkei Dow Jones index of 225 stocks to a record high of 12,683 on April 3. Within two weeks, large sales of these issues triggered the index's steepest descent in history, down to 12,207.

Most analysts termed this a healthy correction, spurred by a prolonged uptrend and excessive prices. Price/earnings ratios for many biotech-related stocks have soared past 100. But rumors and stories were afloat at the time and undoubtedly had some influence in the market.

Indeed, there was a widely circulated report that a handful of Japanese companies that were working on another anti-cancer drug, called TNF, had stolen some of their research data from an American company and faked other test results. There were even rumors of a death from an artificial blood product produced by Green Cross, a Japanese drug company. All these reports have been denied by the companies. But, as one Tokyo analyst put it, the perception of a rumor is more powerful than reality in such instances.

Mochida's story begins back in April 1984. At

the time Hayashibara Laboratory announced it was developing an anti-cancer agent that would represent a major breakthrough in scientific research. Unlike other drugs, the experimental agent was supposed to attack cancer cells directly without reacting with an individual's immune system. If perfected, this characteristic would mean that the drug could be given in massive doses without concern about harmful side effects.

The problem for Hayashibara, however, would be how to market its new drug once it was ready. The small, privately held company seemed ill-equipped to undertake a broad selling and distribution campaign, according to many observers. Speculation soon mounted that it would have to take on a partner from among Japan's big pharmaceutical companies.

The debate over which company would get the

prize contract soon ended when it was learned that Hayashibara was buying shares in Mochida. Rumors of an eventual linkup between the two spread and the market began snapping up Mochida stock, sending the company's share price on a roller-coaster ride that shows no signs of ending.

Every market has its speculative side, but Tokyo seems especially susceptible. "Though people tend to exaggerate it, there is a speculative element here," acknowledged Robert Burghart, an analyst with W.I. Carr in Tokyo.

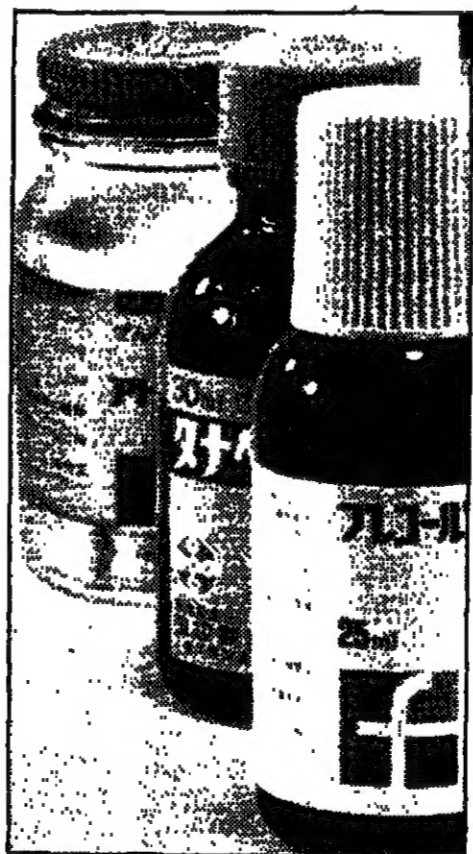
With no strong market theme, a sluggish economy and lots of ready cash for investment, Japan's market during the last 10 months has been ideal for nurturing story stocks.

The Japanese exchanges have relatively few offerings, many with a thin float. At the same time, these are chased with a lot of money. Because of various restrictions and tax laws, the stock and bond markets have been the main investment outlets in Japan. With no capital gains tax and minuscule dividends, the Japanese expect high performance stocks. There also are few outlets for the gambling instinct. "Instead of rolling the dice, people buy 1,000 shares," Mr. Burghart said.

Biotechnology-related stocks are merely the latest in a list of major speculative themes over the years that have focused on gold mining and electronic stocks and shares in companies that develop new materials. But pharmaceuticals, with their promise of wonder cures for dreaded ailments, touch an emotional chord and are perhaps the most effective beneficiaries of a good story. "They're where the dreams are," said Takayuki Nakajima, senior economist at Daiwa Securities.

The Tokyo exchange lists 38 pharmaceutical companies, including about a dozen top-flight concerns that develop around 70 percent of what they

(Continued on Page 8)



Japanese drug stocks have been a favorite area of speculation.

U.K. Gilts: A Volatile Option to The Dollar

By Bob Hagerty

THE pound sterling was drooping toward parity with the dollar, and jokers talked of renouncing it the ounce. A rattled government had jerked interest rates up 4 1/2 percentage points.

Late in February, just when lamentations over the decline of Britain rivaled the weather as a topic of general conversation, the smart money rushed into gilts, as British government securities are called. Dollar-based investors who switched into 10-year gilts then and sold two months later reaped a total return of around 30 percent, mostly reflecting currency gains.

For the moment, the party may be over. The pound has weakened, and many foreign investors have scurried for cover. But the late winter rally illustrated that gilts offer potential for explosive short-term gains. It also showed that most foreigners are unwilling to make long-term commitments to the pound and underlined the imperative of getting the currency trend right. "Sterling is an exciting currency," says Stephen Lewis, a senior analyst at the London stockbrokerage of Phillips & Drew. "It can go a long way in either direction."

As investors pan the horizon for alternatives to the dollar, the pound generally and gilts in particular are getting serious consideration. The attractions include high yields and liquidity exceeded only by the U.S. and Japanese government bond markets. Already international, the gilt market is expected to become more so late next year when the London Stock Exchange opens itself to big foreign stockbrokers.

Despite this month's slump in the gilt market, many analysts and fund managers are cautiously optimistic on prospects for the rest of this year. "We think at the moment gilts are a very attractive alternative to dollar bonds," says Enrico Clerici, chairman of the investment policy committee at Union Bank of Switzerland.

At Salomon Brothers Inc., Graham Bishop, a London-based analyst, is skeptical about prospects for gains on long-term issues but sees medium-term gilts as the most attractive government bonds in Europe this year.

The high yields on gilts are particularly important in gaining the affection of Japanese institutional investors, the world's biggest capital exporters. For regulatory reasons, many Japanese institutions prefer high interest income to capital gains.

The Deutsche mark is widely regarded as a stronger currency for the long term, but an investor switching out of dollars into mark bonds loses several percentage points of interest income. Thus, he needs to be confident that his currency gain will be big enough to overcome the loss of income. Such currencies as the Australian and New Zealand dollars offer even higher yields than does the

(Continued on Page 8)

THE FUNDS

Top Performers in 1984

The top 10 U.S. commodity funds in 1984 based on change in average unit value of 64 publicly held funds.

FUND	FIRM	1984	1985
Thomas Financial Futures Partners I	Thomson McKinnon	+75.4%	+8.9%
Peavey Commodity Futures Fund I	Peavey Co., Dain Bosworth	+64.7%	+1.2%
Peavey Commodity Futures Fund II	Peavey Co., Dain Bosworth	+63.2%	+1.8%
Heinold Recovery I	Heinold Securities	+50.5%	-4.0%
Aries Commodity Fund	A.G. Edwards & Sons, Ceres Investment Co.	+48.5%	+4.6%
Thomson Commodity Partners I	Thomson McKinnon	+47.2%	-4.6%
Princeton Futures Fund II	Paine Webber	+42.5%	+23.6%
Heinold Illinois Commodity Fund	Heinold Securities	+41.4%	-5.3%
Thomson McKinnon Futures Fund	Thomson McKinnon	+38.7%	+0.8%
Princeton Futures Fund	Paine Webber	+36.9%	+4.2%

Source: Norwood Securities

Betting on Commodity Funds

By John Meehan

COMMODITY prices were depressed, interest rates remained high and fears of inflation had become a dim memory last year. Yet despite this harsh environment, commodity funds surprised the investment community by outperforming all public funds, even their distant cousins that trade only in stocks and bonds.

On average, the publicly offered funds in the United States generated a return of 12.4 percent in 1984, marking a sharp turnaround from their 14-percent loss in 1983 and bettering the results of fixed-income and equity mutual funds, which posted returns of 10.9 percent and 9.7 percent, respectively.

The reason for the good showing had nothing to do with commodities. The funds, which trade a wide variety of commodity and financial futures, from pork bellies to Treasury bills, profited handsomely from the dollar's strength last year. By selling foreign-currency futures short, expecting them to continue to decline, fund managers were able to ride the U.S. currency's record surge.

Unlike mutual funds, commodity funds are set up as limited partnerships, offering units that are usually priced at \$1,000 and requiring a minimum investment of \$5,000. Consequently, they are not as liquid as mutual funds, and investors must wait until the end of the month to redeem their units. Some funds only allow redemptions at the end of a fiscal quarter.

The funds first gained prominence in the high inflation days of 1979 and 1980 when rising com-

modity prices enabled many of the funds to reap returns of between 50 and 60 percent. This was all the incentive Wall Street needed, and most of the big brokerage houses entered the futures fund business. Currently there are about 90 public funds, compared with just two in 1975. "It was a case of follow the leader," said Morton Baratz, editor of Managed Account Reports, a newsletter that tracks the funds.

Last year's solid performance could not have come at a better time for the industry, which has had trouble attracting new investment since 1983. Despite the proliferation of funds, the industry still only manages about \$500 million, a meager sum compared with mutual funds. Scott Irwin, an economist at Purdue University in Indiana who follows the commodity industry, estimates that for every dollar in public commodity funds invested, about \$2 is withdrawn.

The dismal performance in 1983 is not the only reason for the public's waning enthusiasm. Cost is also a factor, according to analysts. Mr. Irwin says that every year commissions, management fees and administrative costs eat up about 20 percent of the asset value of the average fund, sharply reducing returns. The industry justifies the charges because of the high volume of trading associated with futures. But with similar charges amounting to only 1 to 2 percent of asset value for a mutual fund, critics say the industry is at a clear disadvantage.

Fund managers also acknowledge an image problem. They say investors have misgivings about the commodity industry because of periodic scandals, such as get-rich-quick schemes associated with precious metals. Moreover, a large segment of

(Continued on Page 12)

Your partner
in managing your
personal assets
around the world.



CHASE
PrivateBanking
International

For information on our worldwide
PrivateBanking services, call or write:

Mr. Barry Geller
Chase Manhattan Bank (Switzerland)
63 Rue du Rhone
1204 Geneva, Switzerland
Tel. (41 22) 35-35-55

Mr. Paul Lankers
The Chase Manhattan Bank, N.A.
Woolgate House, Coleman Street
London EC2P 2HD, England
Tel. (44 1) 726 5310

Europe: Geneva, Amsterdam, Frankfurt, Jersey, London, Luxembourg, Monaco, Munich, Paris, Zurich. Western Hemisphere: New York, Miami, Houston, Los Angeles, San Francisco, Vancouver, Montevideo, Nassau, Panama, Puerto Rico. Asia/Pacific: Hong Kong, Singapore. Middle East: Bahrain.

THE BOURSES

In the Skies, The Strong Get Stronger

By Edith Cohen

EASTER came early this year, and with it arrived a wave of eager holiday travelers. Fares were low, and the U.S. airline industry took off smoothly with a 15-percent increase in traffic for the usually sluggish first quarter. The news seemed to confirm the turnaround in an industry that has struggled fitfully for six years to deal with the competitive effects of deregulation.

But despite an increasingly upbeat tone in the industry, Wall Street has remained cautious. After bottoming out last summer, airline stocks "got a second wind" in November," said Michael Derchin, an analyst at First Boston Corp., but have been "going sideways" since January.

In many ways, the sector's uneven performance reflects a highly selective approach adopted by many analysts who think the airlines still face steep hurdles in the coming year. They point out that companies must come to terms with fare struggles and high labor costs. The prospect of an economic slowdown also overshadows the industry.

Most experts acknowledge the strides that the airlines have made in the aftermath of deregulation. The full-scale fare wars of 1982-83 have evolved into what some regard as a campaign of sophisticated guerrilla tactics. Fuel prices are down, unit costs are declining, and equipment and route structures have been brought somewhat up to date.

Earnings also look good. "Operating results are the real key in the industry," said Robert J. Jodieke, who tracks airline stocks for Shearson Lehman. He notes that operating results have gone from a \$1.1-billion loss in 1983 to a profit of \$1.3 billion in 1984.

"We are looking for operating profits in 1985 for the industry of \$2.5 billion to \$2.7 billion," Mr. Jodieke said, not as dramatic a rise as in the last year or so, but "a sharp improvement."

In an industry of 123 domestic airlines, no more than 30 make it to the major statistical compilations by leading analysts. Of these, analysts generally say only five airlines — American, Delta, Northwest, United, and USAir — merit consideration by investors.

Some, like First Boston's Mr. Derchin, see better value in the smaller commuter lines, but it is clear that the current atmosphere in the market is decidedly different than the no-fall euphoria of the early 1980s. People Express, which is widely credited with starting the low-fare unit in a few years ago, has been struggling lately.

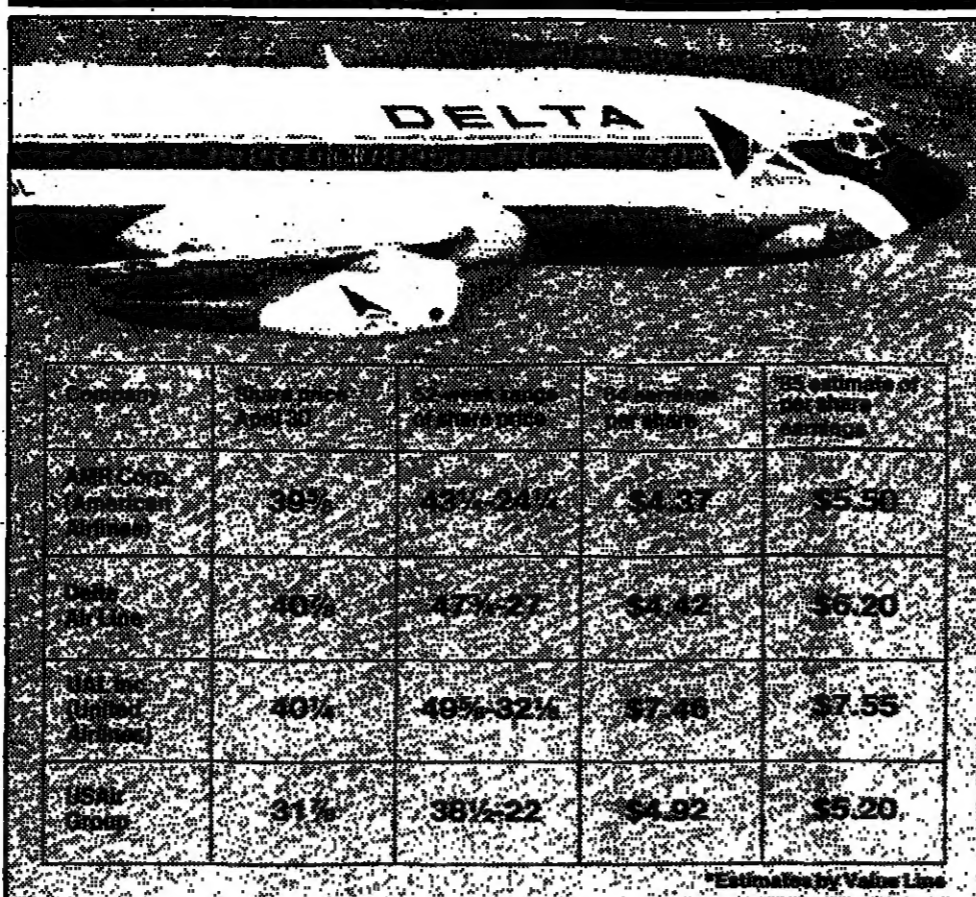
"Under deregulation the strong carriers are moving in and clipping the wings of the weaker," said Mr. Jodieke.

USAir figures high among the recommendations of analysts. For Mark E. Daugherty, who tracks the sector for Dean Witter Reynolds Inc., it is the only stock worth buying.

Although the company posted a 46-percent drop in earnings in the first quarter to \$10 million, Mr. Daugherty notes that the company is widely respected for its management. He also echoes other analysts in praising USAir's efforts to build up its hub in Pittsburgh, which is well placed to serve the crowded Eastern corridor.

Moreover, the company is credited by most ob-

U.S. Airlines: An Overview



servers with maintaining one of the best balance sheets in the industry despite its expansion. Value Line estimates that the company might be able to reduce its long-term debt ratio to under 30 percent of equity by the end of the year.

American Airlines also receives high marks from analysts for its "ultimate super saver" fare that went into effect in mid-February. Under the plan, as much as 70 percent can be lopped off the price of a regular coach ticket, within certain carefully defined restrictions. Competitors have been playing catch-up ever since.

Unlike previous fare discount plans, analysts say, American's plan is well structured to avoid hurting the bottom line. American Airlines, a subsidiary of AMR Corp., posted net income of \$60.2 million in the first quarter, little changed from the record quarter earnings of \$60.3 million a year earlier.

This year's round of labor negotiations could spell trouble for some companies, according to analysts. United, which contributes 88 percent of parent UAL Inc.'s revenues, must settle three labor contracts, including one with its pilots, who have threatened to strike this week. Northwest, representing 81 percent of NWA Inc.'s revenue, is in talks with its machinists. And Pan American must pick up the pieces following a strike earlier this year.

United's pilots pose the most immediate problem. Although the airline's announced plan to purchase Pan Am's Pacific routes for \$750 million was applauded by analysts, its expansion plans depend heavily on the company's ability to reign in labor costs. New talks were set for Monday.

Candace Browning, an analyst at Oppenheimer & Co., said prospects of a strike should not deter investors, and she continues to list UAL on her buy list. She explained that United's management is taking a hard line and appears firmly committed to implementing a two-tier wage structure with its

pilots. Under such a plan, newly hired pilots are to be paid less than more experienced employees.

Although most of the talk on Wall Street continues to focus on the big airlines, First Boston's Mr. Derchin contends "the place to be" is in the specialty carriers, "which are relatively immune to the fare problems and to competition." In addition, he says they have good profit records and strong balance sheets. More important, they are undervalued, according to Mr. Derchin.

His favorites include KLM, the large international carrier that is not affected by U.S. fare cuts and is benefiting from strong international traffic; Alaska Airlines, with a strong position in the Pacific Northwest; and Southwest Airlines, which is about to acquire its competitor, Muse.

Mr. Derchin is also enthusiastic about three commuter airlines that trade over the counter, Atlantic South, Comair and Air Wisconsin. These are aggressively aligning themselves with larger carriers, sometimes by so-called dual-designations in the booking codes used by travel agents, giving commuters the added confidence of the big-name carrier on one leg of a trip.

On the Defensive in London

By Colin Chapman

FIVE years ago, both GEC and Racal would have been high on the list of stocks favored by many portfolio managers. Both big electronics companies were headed by strong-willed executives, and both knew how to perform.

These days, the share prices of both companies are in a slump. Enthusiasm has been replaced by a wariness, and questions are being raised about their futures. But a few analysts are beginning to wonder whether the anxiety has been overdone.

GEC is far from struggling. Its earnings growth over 10 years is above average quality, equaling 16.1 percent a year in pretax profits and 19 percent a year in earnings per share. That compares with an average annual 12.7-percent rise in the rate of inflation in the last 10 years.

Yet analysts are describing GEC as a sleeping giant. Its results for its fiscal 1984 year were flat, and its chairman, Lord Weinstock, has been criticized for being too dogmatic and too dominant. The company's shares have picked up a bit from their 1983 low of 178 pence to trade at about 192 pence, but GEC is still underperforming the Financial Times All Share Index by about 15 percent.

Among the questions about GEC is the shape of future management. In the past, GEC has been dominated by the close working relationship between Lord Weinstock and his deputy, Sir Kenneth Bond. However, Sir Kenneth no longer works fulltime, leaving Lord Weinstock to deal with the 25-member board. Lord Weinstock is 60 years old, so his influence is likely to remain strong until a successor emerges. But some observers wonder how GEC, whose finances have been kept under rigorous central control, will respond to a committee system of management.

One sensitive point was GEC's £1.92-billion (\$2.34-billion) cash surplus. Critics asked why the money was not being plowed into product development or acquisitions.

Lord Weinstock recently met, with criticism with the establishment of GEC Finance, a subsidiary headed by Tony Hillier, formerly of the N.M. Rothschild merchant banking group. Operating from separate premises, it

GEC and Racal are in a slump. But have the negatives been overstated?

will finance equity investments and other special projects.

"What they will do with the money is, of course, the \$64,000 question," says Gerald Davies, a partner in brokers Savory Millin and one of London's leading electrical and telecommunications specialists. Mr. Davies, like other analysts, believes that GEC Finance could be used to help GEC diversify.

Chris Wells, of GEC's own brokers, De Zoete & Bevan, is inclined to agree, but says GEC's cash heap is smaller in relation to turnover than that of two competitors, Plessey and Siemens, the West German electrical giant. De Zoete & Bevan argues that any perception that GEC has ignored growth opportunities is wrong. GEC's quality of earnings is increasing and will show above average earnings-per-share growth in each of the next two years, the firm says. Mr. Wells sees the outlook as "pretty good."

Despite these bullish remarks, De Zoete, like many other analysts, regard GEC as a defensive stock during a worrying period for British markets. However, at least one analyst who was previously bearish about GEC has revised his view. The analyst, John Tysoe of Grieson Grant explains his shift by citing the low GEC share price of recent weeks.

"There are still structural problems, and we do not anticipate any great acceleration, but the present rating of the stock says it is a below-average business, and this just is not so," he said. "It is better run, makes more money and has better technology than before, and is going to be a damn sight better than most British businesses."

The City's disenchantment with Racal has more-specific origins. Simply

put, many investors have had their fingers burned and are not likely to rush in to buy again. Even though Racal's chairman, Sir Ernest Harrison, is forecasting a 3-percent rise in annual profit, the share price is bumping along the bottom at about £2.30.

Part of the problem lies with a forecast gone awry. At Christmas time, De Zoete & Bevan, normally no slouch where electronics companies are concerned, predicted an increase in yearly profit to £189 million from £144 million. The shares soared to a 12-month high of £3.48. Then, in January, came the message from the company that its second-half business was "substantially below our expectations."

The problem was, and is, Racal's data-communications subsidiary, Racal Vadic, based in Los Angeles. "It fell down a hole," said John Beasley of De Zoete & Bevan. Like some other companies, it overestimated the market for personal computers. In addition, the Racal unit ran into problems with a chip for a modem designed to fit into a computer, Mr. Beasley said.

"Nobody is rushing into Racal at the moment," said Mr. Beasley, who predicts profits of £157 million this year, rising to £190 million next year. "They are going to wait until things seem better, which may be a pity because the outlook is quite good," he said.

MR. BEASLEY cited estimates that the market for defense equipment will grow at a 25-percent annual rate. In addition, he said Racal is doing better than GEC or Plessey in the market for tactical radio systems and has a promising start in cellular radio.

He also notes that the order book for a wide range of military products has swelled to more than £240 million, double the level of a year earlier. And he is optimistic about the outlook for Chubb, picked up last year for £180 million. Chubb is one of two large safemakers in Britain and is seen fitting into Racal's electronic-security businesses.

Sir Ernest also predicts that Racal's cellular radio business, after several years of losses, will show a small profit next year, and that earnings will grow rapidly after that to around £50 million a year by the end of the decade.

Like Mr. Beasley, Savory Millin's Mr. Davies is cautiously optimistic about Racal. "At least they do seem to be analyzing their problems, and doing something about them," he said.

Swiss Bank Corporation:

We can help you package that international trade deal.

"Sometimes, making the sale is the easiest part of an export transaction, and you need an innovative banker who can see beyond the problems of trade financing to make the deal a success."

Paul Lachausse,
First Vice President

If you're getting involved in international trade, you'd better do your homework. It's not always easy—but it's a lot easier than trying to salvage whatever's left over if the transaction runs into trouble with another country's import/export restrictions, payment practices, currency problems, etc. It helps to have an experienced international banker on your side. Not only for advice on the mechanics of the transaction, but to work out creative, overall solutions to complex problems. With our international tradition and our home base in multilingual Switzerland, we've helped put the finishing touches on a lot of trade packages over the years. This may be why our customers keep coming back. Because they tend to do their homework, too.



Swiss Bank Corporation
Schweizerischer Bankverein
Société de Banque Suisse

The key Swiss bank

General Management in CH-4002 Basle, Aeschengplatz 6, and in CH-8022 Zurich, Paradeplatz 6. Over 200 offices throughout Switzerland. Worldwide network (branches, subsidiaries and representatives): Europe: Edinburgh, London, Luxembourg, Madrid, Monte Carlo, Paris. North America: Atlanta, Calgary, Chicago, Houston, Los Angeles, Montreal, New York, San Francisco, Toronto, Vancouver. Latin America: Bogota, Buenos Aires, Caracas, Lima, Mexico, Panama, Rio de Janeiro, São Paulo, Caribbean: Grand Cayman, Nassau. Middle East: Bahrain, Cairo, Tehran. Africa: Johannesburg. Asia: Hong Kong, Singapore, Tokyo. Australia: Melbourne, Sydney.

Lintas Zürich SBV 684

IBM: Putting a Price on Value

By Edith Cohen

MARSHALL Brass likes International Business Machines Corp. As a Merrill Lynch stock broker, he often tells his clients in Palm Beach, Florida, that IBM offers good value and solid growth. It is the kind of stock "that you don't lose sleep over and don't have to watch every day."

Yet despite his clear conviction and generally strong endorsement throughout Wall Street, Mr. Brass detects a hesitancy among his clients. The reason is price.

"Individuals have a bias against high-priced stocks," said Mr. Brass, who recalls selling "bundles" of IBM stock when it was trading at \$30 to \$60 a share a few years back. "It's irrational, because stocks move in percentages," but nevertheless there is the feeling, he says, that one cannot make as much money as with a lower-priced stock.

Indeed, IBM, which closed Friday at \$130.13, has earned a peculiar distinction of being one of the New York Stock Exchange's most expensive issues. And questions about how much higher its share price can go are common.

Most analysts who spend their time tracking the giant data processing company still view it favorably. More important, they believe that the stock is poised for another sizeable gain in the final quarter and will continue to appreciate in 1985.

Analysts agree that the weakness shown in the first quarter will extend into the second quarter. IBM earnings fell 18 percent in the first quarter to \$986 million, or \$1.61 a share, from \$1.20 billion, or \$1.97 a share, in the year-earlier period.

The decline was attributed in part to problems associated with the introduction of a new product cycle. IBM introduced in February a new generation of mainframe computers, called the Sierra, or 3090 series, and new high-performance disk drives.

Customers have been sizing up the Sierra and have delayed orders while evaluating the new machine. Moreover, IBM is bogged down in shipping problems. The disk drives will not be shipped until the third quarter, and the Sierra will not get to customers before November. The shipment of a second-generation personal computer, the PC AT, has also been delayed.

The strong dollar has also affected earnings. The contribution of its overseas subsidiaries is so significant that IBM officials reckon that if currency exchange rates in the first quarter had stayed level with those of the 1984 first quarter, earnings would have declined only 7 percent.

The next two quarters "will not

be great," said Ulrich Weil, who tracks computer stocks for Morgan Stanley. The new product line, he says, will not achieve real sales volume until late this year. This means the full effect of the product transitions will not be felt in the fourth quarter.

Michael Geran, an analyst with E.F. Hutton, anticipates improved earnings by the end of the second quarter, accelerating in the third quarter when the shipments are in full force. Tom Crotty, an analyst with Gartner Group in Stamford, Connecticut, predicts that there will be "a booming fourth quarter" that will carry through 1986.

Estimates for IBM earnings in 1985, in fact, range from Mr. Weil's \$1.35 a share, compared with \$1.07 a share in 1984, to Mr. Crotty's \$1.50 a share. And for 1986, Mr. Weil says \$13.40 a share, while Mr. Geran sees \$14 a share if the value of the dollar declines.

In terms of price, which reached a record \$138.25 in February, Mr. Geran says that IBM stock got moderately ahead of itself as the

product line transition occurred in the first quarter "because people assumed the earnings gain would simply keep pace."

The price has been corrected, he says, and is now positioned for "slow, steady, cumulative improvement" with momentum building in the fourth quarter. The end of the second quarter will begin to reflect this, Mr. Geran says. He expects it then to outperform the market through 1986.

Mr. Weil believes IBM stock is "very moderately valued right now for the forward-looking investor," considering its prospects for earnings growth in 1986. He predicts that within a year the price could reach \$150 to \$160.

Mr. Crotty also says the stock will reach \$150 next year. At that point, he says, "I imagine that if the stock were at \$150, 160, the possibility of a stock split would be high in my estimation." But he noted the total unpredictability of such an occurrence. IBM traded as high as \$350 before a four-for-one stock split in 1979.

—Edith Cohen

DIVIDENDS EACH YEAR SINCE 1912

The Board of Directors of ENSERCH Corporation on April 16, 1985, declared a regular quarterly dividend of 40 cents per share of common stock, payable June 3, 1985, to shareholders of record May 17, 1985.

For additional information, please write to Benjamin A. Brown, Vice President, Financial Relations, Dept. M, ENSERCH Center, Box 999, Dallas, Texas 75221.

ENSERCH CORPORATION

REAL ESTATE

New York Apartment Market Comes Down to Earth

By Leslie Whitaker

MANHATTAN real estate was once the home of the Midas touch. Owners of condominiums and cooperatives mined golden appreciation rates of 18 percent or higher during seven of the last eight years, including a record price leap of 66 percent in 1978.

Even last year when stiff mortgage rates continued to worry home-buyers throughout the United States, Manhattan seemed unusually immune. Buyers were everywhere and prices escalated dramatically. The average value of condominiums and cooperatives climbed 28 percent, an astonishing return when compared with the 6-percent return on U.S. equities.

Times have changed, however. Investors, who by some estimates account for 40 percent of cooperative and condominium purchases in Manhattan, are now decidedly less bullish than they were a year ago. The talk in New York real estate circles these days has less to do with phenomenal returns than with worrying indications that the market may be softening.

There are several reasons for the current concern. Ironically, some experts say, the boom in residential construction that was aimed at meeting demand is threatening to swamp the market. At the same time, observers detect signs that the prevailing uncertainty about interest rates is causing purchases to be delayed.

Moreover, most brokers report that the number of foreign buyers is decreasing because of the strong dollar. The dollar's value has risen steadily in the last two years, and many foreigners find Manhattan prices far beyond their reach.

"The second half of 1984 was the beginning of the big realization that prices had gotten out of hand," acknowledged Gayle L. Banks, vice president and director of residential sales of Sulzberger-Rolfe, a Manhattan real estate concern.

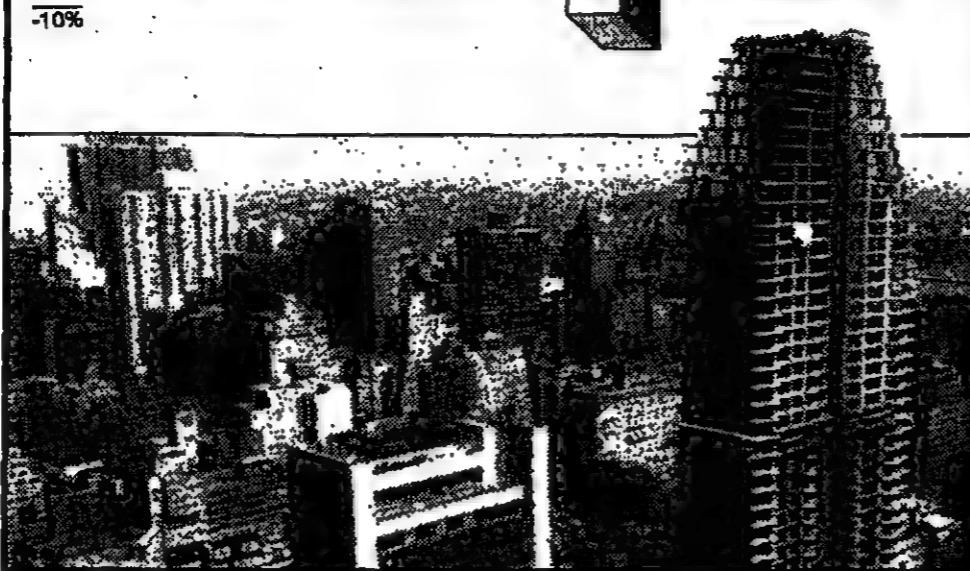
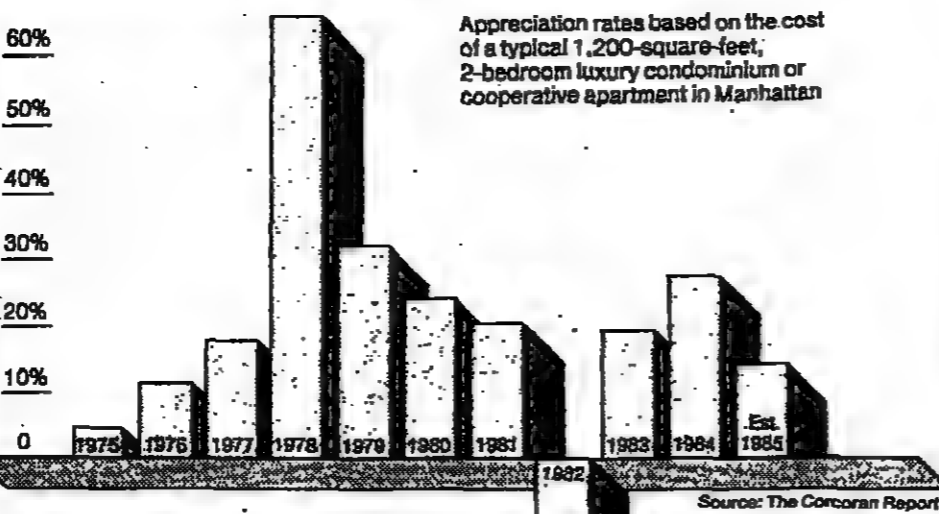
It is difficult to gauge how prices will respond in the current environment. Many real estate brokers say some investors have begun to look elsewhere for opportunities. Although more and more New Yorkers, tired of paying the average \$2,000 rent a month for a two-bedroom apartment, increasingly want to be owners, it is clear that the demand will not be sufficient to take up all the slack. Miss Banks predicts a price decline of 10 to 15 percent by year's end. Others are less pessimistic but concede that this year's appreciation rate will be closer to half last year's level.

"I don't think that prices are going to stop rising," but there is "no way" they will reach last year's levels, said Hugh Robbins of Yale Robbins, a real estate publishing and consulting firm. He called the current period "a breather."

Mortgage rates remain a chronic concern. Two years ago record interest rates forced condominium and co-op prices down by 10.5 percent. Double-digit mortgage rates, which averaged 13.4 percent last year and have hardly budged since, may be keeping buyers at bay.

Vacancy rates indicate some hesitancy in the market. A study conducted by Michael A. Stegman, chairman of the department of city and regional planning at the University of North Carolina at Chapel Hill, reported a vacancy rate for both new and existing co-ops and condominiums in Manhattan at 5.2 percent. This is a significant rise from the 3.5 percent vacancy rate of 1981, and way above Manhattan's apartment vacancy rate of less than 2 percent.

Appreciating Manhattan



A more lasting concern to some experts is the current building boom. Some real estate analysts warn of oversupply. "No one has carefully analyzed the impact of downward pressure (on prices) of the new units planned," says Barry Sussman of the Real Estate Research Corp.'s office in New York.

MORE THAN 3,000 condominiums, about the same number as last year, are scheduled for completion in 1985. And more existing apartment buildings are being converted to co-ops. Co-op conversions numbered 20,803 last year. "I see an oversaturation for the next year or so," Miss Banks said.

Still, real estate investors have far from given up on Manhattan. Most brokers dismiss the notion that the boom in New York real estate is over. The current climate, they argue, merely reflects a minor correction and that New York real estate continues to be an excellent long-term investment. "I don't

think there's any spot in the city I'd stay away from," said David Bates, director of international sales for Sotheby's, which advises foreign buyers. "I can't imagine you losing."

Indeed, an investor can still find good value in the Manhattan market. The new construction in recent years has pushed the boundaries of Manhattan's so-called desirable areas into previously uncharted territory. Moreover, developers in New York are sensitive to the needs of investors.

In the last couple of years, there has been an emphasis on expanding the number of condominiums, a more liquid investment than co-operatives, where residency rules require approval of tenants and resale. Such regulations often discouraged and even prohibited purchases by nonresidents. "Home owners don't care which they buy, and condominiums can be marketed to investors and corporations, too," Mr. Robbins says. "That's pretty much the bet that everyone's taking."

Deciding exactly where in Manhattan to invest depends on one's outlook for the future. "If someone was anticipating a down cycle, the more prime area they choose, the better off they will be," says Barbara Corcoran, president of Corcoran Realty Group. "The best areas hold value the longest and are the quickest to recover."

"If, instead, they are more optimistic," she continued, "I'd advise investing in the fringe areas."

Previously chic areas of lower Manhattan, such as Greenwich Village, Soho and Tribeca, had their appreciation escalation about five years ago. Prices in those areas are considered exorbitant by some experts, and listings are rare.

The East Side still boasts the most outrageous prices and most luxurious offerings. Yet it continues to attract attention. The bulk of new condominiums can be found in the several square miles that run from 42nd to 96th Street, between 5th Avenue and York Avenue. And apartments range from super deluxe to small studios.

A duplex condominium in the Dag Hammarskjöld Tower, not far from the United Nations and with a spectacular view of the East River, goes for \$4 million. A one-bedroom condominium in the Carnegie Hill Tower, at 40 East 94th Street, recently sold for \$295,000.

The Upper West Side is the "fringe area" mentioned most frequently by real estate brokers as having good potential for appreciation. This several-mile stretch from midtown and up to the trendy 70s and 80s, is undergoing a subtle renaissance and some of the older greasy coffee shops and discount stores that lined Broadway have already given way to stylish boutiques.

Here numerous rental buildings have been converted to condominiums and cooperatives that cost about \$30,000 less than places on the East Side. "The hottest area is the Upper West Side," says Mrs. Corcoran, whose real estate firm has marketed numerous cooperatives south of 96th Street.

"I would look between 57th and 95th streets," Michael Cordery, a broker with Hine & Peters, advised. "The buildings are larger and you'll get more space for your money."

In addition to steering clients to Manhattan's emerging neighborhoods, brokers offer the following tips for investors who are thinking of buying:

- The best price for a new unit usually occurs when it is first placed on the market. Once several apartments are sold in a building, the prices of the remaining units tend to escalate.

- Almost every price is negotiable. The Corcoran Group reports that Manhattan condominium and co-op buyers were able to reduce the original asking price by an average of 8.5 percent last year.

- Fees of real estate agent average 6 percent and are generally paid by the seller, not the buyer. In the past, unscrupulous real estate agents have been known to demand that buyers pay phony charges for services.

- Rental managers are a necessity for nonresident investors, according to most brokers. They oversee property and locate satisfactory tenants.

- Foreign investors should familiarize themselves with U.S. real estate tax regulations. Property sold by a foreign individual or institution is subject to withholding tax equal to 10 percent of the sales price or the seller's maximum tax liability as determined by the Internal Revenue Service, whichever is less. Real estate used as a residence and valued at \$300,000 or less is exempt.

THE ROBECO GROUP

SHAREHOLDERS ACCOUNT IN GENEVA

The investment that combines Dutch thrift with Swiss security

The four Robeco Group investment trusts offer investors around the world a wide choice of investment objectives.

Robeco An equity trust which seeks to provide a balance of both capital growth and a substantial yearly dividend.

Rolingo Another equity trust which puts the emphasis on capital growth.

Rorento A fixed interest accumulator trust invested in bonds and currencies.

Rodanco A property trust seeking a reasonable yield with some capital appreciation.

The Robeco Group Shareholders Account in Geneva offers investors convenient, low cost access to the four Robeco Group trusts.

The Shareholders Account has many worthwhile advantages:

- Any amount can be deposited - in any desired currency.
- Dividends are automatically reinvested or paid out, as you wish, both free of charge.
- No charges for safe custody.
- Low cost switching between funds.
- Easy-to-read computerised statements.

Mail the coupon for full details of the Shareholders Account in Geneva, with an application form.

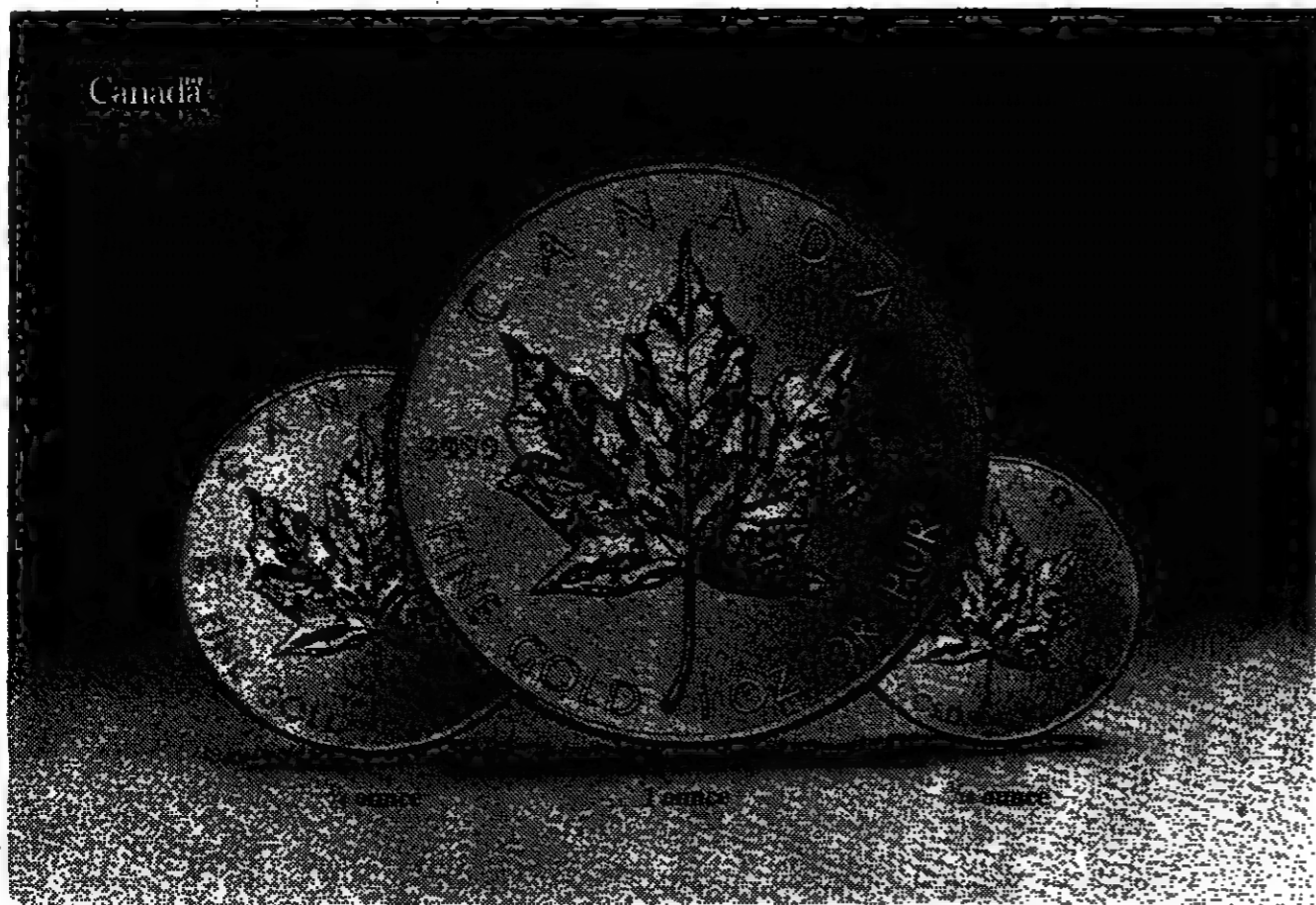
To: Robeco S.A. Geneva, Case Postale 896, CH-1211 Genève 1
Please tell me more about the Robeco Group Shareholders Account.

Name (Mr/Mrs/Miss) _____

Address _____

Country _____

ROBECO
Europe's Largest
Investment Group
Assets exceed £5 billion



ONLY THE PUREST GOLD HAS IMMORTAL VALUE THROUGHOUT THE WORLD.

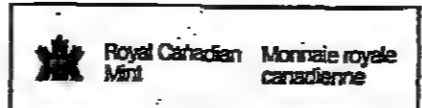
Over 3000 years ago, the ancient Egyptians immortalized their King Tutankhamen in the purest of gold. Even then they knew that pure gold would have everlasting value. And that is still true today. Whoever invests in gold should also choose its purest form.

Canada's Maple Leaf, for example, is struck with the purest gold that you can buy today. It contains

no base metals and is the only coin available at banks with a purity of 999.9/1000 fine gold - guaranteed by the Canadian government.

What does that mean for you? In contrast to ordinary gold coins which are 22-carat gold, you get the purity of 24-carat gold for your money with Maple Leaf. And, a high degree of assurance that you can trade it easily anytime, anywhere in the world.

Therefore, prudent investors can follow the example of the ancient Egyptians. Whoever wants to acquire long-term value should choose gold of the highest purity. And today, that is the 999.9/1000 of the Canadian Maple Leaf - a purity for which there is no substitute.

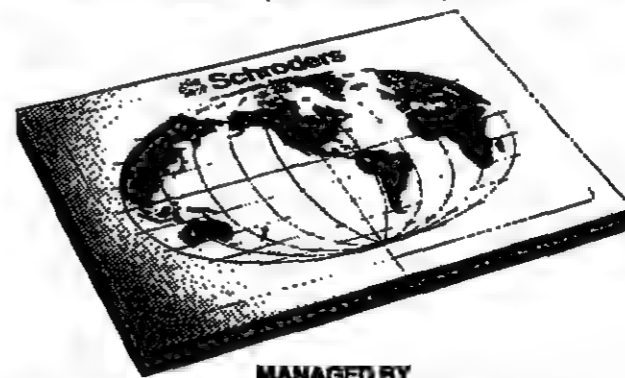


MAPLE LEAF. THERE IS NO SUBSTITUTE FOR PURITY.

Schroders

SCHRODER PORTFOLIO SELECTION FUND LIMITED

(THE "COMPANY")
A company incorporated with limited liability in the Cayman Islands and registered on 22nd October, 1984 under the provisions of the Companies Law (Cap. 22) of the Cayman Islands as amended and having an authorised share capital of US\$1,000,000.



MANAGED BY

SCHRODER UNIT TRUST MANAGERS INTERNATIONAL LIMITED

(THE "MANAGERS")

OFFER FOR SUBSCRIPTION

of Participating Redeemable Preference Shares of US 1 cent each ("Participating Shares") of the following classes.

Class of Participating Shares

Equity Funds

American Fund
American Smaller Companies Fund
Australian Fund
British Fund
European Fund
Gold Fund
Hong Kong Fund
International Fund
Japanese Fund
Japanese Smaller Companies Fund
Singapore and Malaysian Fund

Fixed Interest Funds

Dollar Fixed Interest Fund
Sterling Fixed Interest Fund

Currency Funds

Deutschemark Currency Fund
Dollar Currency Fund
Sterling Currency Fund
Yen Currency Fund
Managed Currency Fund

The Company is an open-ended investment company incorporated in the Cayman Islands and managed and resident in Guernsey. It has the power to issue and redeem its Participating Shares at prices based on their underlying net asset value, very much along the lines of a unit trust.

Participating Shares of each class of the Company are listed on The Stock Exchange, London. Participating Shares may normally be issued and redeemed on any weekday which is a business day in Guernsey.

Portfolio Management Service

A Portfolio Management Service is available from Schroder Financial Management Limited which enables the investor to leave the day to day responsibility for managing his assets to experienced Fund Managers. The minimum investment for which the service is available is £10,000 or other currency equivalent. A separate brochure is available on request from the Managers.

Full details of Schroder Portfolio Selection Fund Limited are contained, together with an application form, in the Prospectus dated 27th November, 1984 (on the terms of which alone applications will be considered), copies of which may be obtained by completing the coupon below.

To: Schroder Unit Trust Managers International Limited,
P.O. Box 273, Schroder House, The Grange, St. Peter Port,
Guernsey, Channel Islands.
Telephone: Guernsey (0481) 28750.

Name _____

Address _____

Details of Portfolio Management Service (Tick Box) ☐

SCHRODER PORTFOLIO SELECTION FUND LIMITED



By Barbara Rosen

"Politics do play a bit of a part" in what is generally a pretty steady market, says Mr. Baynton Williams. One example is a 1676 issue of a John Speed map of Persia, first published in 1627, that has on the back a text, in English, describing the country. "That's a very decorative map and to Persians, it was an interesting map," says Mr. Potter. Before the Iranian revolution it sold for around £650 to £700, he said; today it brings only £300 to £400.

Debenham led the list of winners on rumors that it was the target of a takeover by Harris

of steelmaker Wheeling-Pittsburgh provided this month's bad news. The seventh largest U.S. steelmaker said that excessive demands by the United Steelworkers union forced the reorganization. □

Address _____

Registered in England No. 337004 Registered Office, Lombard House,
Curzon Street, London W1A 1EU
A member of the National Westminster Bank Group

Commodity Funds: Too Many

It is too soon to say how the funds will fare in 1985. The dollar's erratic movement in recent weeks has sent most managers looking

* No minimum required

Address _____

IMT 13/5

Money you can trust.
Please note that International Gold Corporation does not provide a buying or selling service.

International Bond Prices - Week of May 9

Provided by Credit Suisse First Boston Securities, London, Tel.: 01-623-1277
Prices may vary according to market conditions and other factors.

(Continued from Page 6)

Int. Security	% Mat.	Yield	Price	Life	Cur.
1000 Australia	100%	10.00	100.00	10/10	100.00
1000 Canada	100%	10.00	100.00	10/10	100.00
1000 France	100%	10.00	100.00	10/10	100.00
1000 Germany	100%	10.00	100.00	10/10	100.00
1000 Italy	100%	10.00	100.00	10/10	100.00
1000 Japan	100%	10.00	100.00	10/10	100.00
1000 Netherlands	100%	10.00	100.00	10/10	100.00
1000 New Zealand	100%	10.00	100.00	10/10	100.00
1000 Norway	100%	10.00	100.00	10/10	100.00
1000 South Africa	100%	10.00	100.00	10/10	100.00
1000 South America	100%	10.00	100.00	10/10	100.00
1000 Spain	100%	10.00	100.00	10/10	100.00
1000 Sweden	100%	10.00	100.00	10/10	100.00
1000 Switzerland	100%	10.00	100.00	10/10	100.00
1000 United Kingdom	100%	10.00	100.00	10/10	100.00
1000 United States America	100%	10.00	100.00	10/10	100.00

Int. Security	% Mat.	Yield	Price	Life	Cur.
1000 Australia	100%	10.00	100.00	10/10	100.00
1000 Canada	100%	10.00	100.00	10/10	100.00
1000 France	100%	10.00	100.00	10/10	100.00
1000 Germany	100%	10.00	100.00	10/10	100.00
1000 Italy	100%	10.00	100.00	10/10	100.00
1000 Japan	100%	10.00	100.00	10/10	100.00
1000 Netherlands	100%	10.00	100.00	10/10	100.00
1000 New Zealand	100%	10.00	100.00	10/10	100.00
1000 Norway	100%	10.00	100.00	10/10	100.00
1000 South Africa	100%	10.00	100.00	10/10	100.00
1000 South America	100%	10.00	100.00	10/10	100.00
1000 Spain	100%	10.00	100.00	10/10	100.00
1000 Sweden	100%	10.00	100.00	10/10	100.00
1000 Switzerland	100%	10.00	100.00	10/10	100.00
1000 United Kingdom	100%	10.00	100.00	10/10	100.00
1000 United States America	100%	10.00	100.00	10/10	100.00

78%
of International Herald
Tribune readers own
Stocks, Shares, Bonds
and Commodities.
Trib ads work.

DM STRAIGHT BONDS

Int. Security	% Mat.	Yield	Price	Life	Cur.
1000 Australia	100%	10.00	100.00	10/10	100.00
1000 Canada	100%	10.00	100.00	10/10	100.00
1000 France	100%	10.00	100.00	10/10	100.00
1000 Germany	100%	10.00	100.00	10/10	100.00
1000 Italy	100%	10.00	100.00	10/10	100.00
1000 Japan	100%	10.00	100.00	10/10	100.00
1000 Netherlands	100%	10.00	100.00	10/10	100.00
1000 New Zealand	100%	10.00	100.00	10/10	100.00
1000 Norway	100%	10.00	100.00	10/10	100.00
1000 South Africa	100%	10.00	100.00	10/10	100.00
1000 South America	100%	10.00	100.00	10/10	100.00
1000 Spain	100%	10.00	100.00	10/10	100.00
1000 Sweden	100%	10.00	100.00	10/10	100.00
1000 Switzerland	100%	10.00	100.00	10/10	100.00
1000 United Kingdom	100%	10.00	100.00	10/10	100.00
1000 United States America	100%	10.00	100.00	10/10	100.00

CONVERTIBLE BONDS

Int. Security	% Mat.	Yield	Price	Life	Cur.
1000 Australia	100%	10.00	100.00	10/10	100.00
1000 Canada	100%	10.00	100.00	10/10	100.00
1000 France	100%	10.00	100.00	10/10	100.00
1000 Germany	100%	10.00	100.00	10/10	100.00
1000 Italy	100%	10.00	100.00	10/10	100.00
1000 Japan	100%	10.00	100.00	10/10	100.00
1000 Netherlands	100%	10.00	100.00	10/10	100.00
1000 New Zealand	100%	10.00	100.00	10/10	100.00
1000 Norway	100%	10.00	100.00	10/10	100.00
1000 South Africa	100%	10.00	100.00	10/10	100.00
1000 South America	100%	10.00	100.00	10/10	100.00
1000 Spain	100%	10.00	100.00	10/10	100.00
1000 Sweden	100%	10.00	100.00	10/10	100.00
1000 Switzerland	100%	10.00	100.00	10/10	100.00
1000 United Kingdom	100%	10.00	100.00	10/10	100.00
1000 United States America	100%	10.00	100.00	10/10	100.00

New subsidiary May 1985



SUMITOMO TRUST

HAS ESTABLISHED A NEW SUBSIDIARY IN LUXEMBOURG

The Sumitomo Trust & Banking Co., Ltd., one of Japanese leading trust banks, takes pleasure in announcing the opening of a new wholly owned subsidiary, on May 10, 1985

Sumitomo Trust & Banking (Luxembourg) S. A.

The wide range of services to be offered include:


- Deposits-Medium- and Long-Term Loans and Guarantees
- Securities Related Activities-Fiduciary Services
- Foreign Exchange-Investment Management and Advisory Services
- Management and Financial Consultancy, etc.

For further information, please contact:

88, Grand-Rue, L-1680, Luxembourg
Masanao Matsunaga, Chairman of the Board
Masatsuki Esaki, Managing Director & General Manager

Telephone: 477885-1
Telex: 60323,60233 SMITB

Overseas Network: London, New York, Los Angeles, Singapore, Frankfurt, Bahrain, Sydney, São Paulo, Jakarta, Toronto, Beijing, Hong Kong, Zurich.



New Eurobond Issues

Issuer	Amount (millions)	Mat.	Coup. %	Price	Price and week	Terms
FLOATING RATE NOTES						
Credito Italiano	\$100	1992	1 1/4	100	99.73	Over 6-month Libor. Callable at par in 1987. Fees 0.30%.
Yere First Bank	\$50	1995	1/4	100	—	Over 6-month Libor. Callable at par in 1988 and redeemable at par in 1990 and 1992. Fees 1.00%. Denominations \$100,000.
Midland Bank	\$750	perpet	1/4	100	99.88	Over 6-month Libor. Callable at par in 1990. Fees 0.65%. Denominations \$100,000.
FIXED-COUPON						
Citicorp	\$100	1995	11 1/4	100	98.25	Callable at par in 1990.
CSX	\$100	1992	11 1/4	99 1/4	97.88	Callable at 101 in 1991.
Oesterreichische Kontrollbank	\$175	1990	10 1/4	99 1/4	98.35	Noncallable. \$100 million issued now and balance reserved for a 3-yr top.
Samwo Int'l Finance	\$100	1992	11 1/4	100	99.63	Noncallable. Denominations \$100,000.
Commerzbank Overseas Finance	DM 300	1995	zero	50	49.85	Yield 7.18%. Noncallable. Proceeds 150 million marks.
Commerzbank Overseas Finance	DM 300	2000	zero	33 1/4	34.10	Yield 7.46%. Noncallable. Proceeds 100 million marks.
EBB	DM 200	1997	7 1/4	99 1/4	99.00	Noncallable.
BACOB Finance	ECU 28.5	1993	9 1/4	open	99.38	Noncallable.
Council of Europe	ECU 40	1992	9 1/4	99 1/4	—	Noncallable.
Council of Europe	ECU 20	1995	9 1/4	100	—	Noncallable.
Philips Int'l Finance	ECU 75	1993	9	100	99.38	Callable at 100% in 1990.
Ryobi	ECU 20	1990	9 1/4	100	99.13	Noncallable.
Yokohama Asia	ECU 32	1992	9 1/4	100	99.00	Callable at 101 in 1990.
Canadian National Railways	CS 100	1993	11 1/4	100	98.00	Callable at 101 in 1992.
Montreal	CS 75	1995	11 1/4	100	98.00	Noncallable.
Shell Canada	CS 75	1992	11 1/4	100 1/4	98.13	Noncallable.
EBB	Dr 200	2000	8	100	—	Redeemable at par in 1991.
Avco Financial Services	Aus 35	1990	14	100 1/4	—	Noncallable.
Commonwealth Bank of Australia	Aus 50	1990	13 1/4	100	—	Noncallable. Increased from Aus\$40 million.
Westpac Banking	Aus 40	1988	13 1/4	100	—	Noncallable.
Scandinavian Airline Systems	NK 200	1993	10 1/4	open	—	Noncallable.
EQUITY-LINKED						
American General	\$300	2000	open	open	99.50	Coupon indicated at 6 1/4-7 1/4%. Redeemable at 110 in 1990 for a yield of 10-10 1/4%. Convertible at an expected 20-24% premium. Terms to be set May 14.
Canon	\$100	2000	open	100	99.00	Senior secured coupon indicated at 3%. Callable at 104 in 1988. Convertible at an expected 5% premium. Terms to be set May 14.

Bonds Rally After Senate Budget Vote

By Michael Quinn
New York Times Service

NEW YORK — U.S. bond prices ended last week as much as 1 1/2 points higher in response to a Senate budget vote that would reduce next year's deficit by an estimated \$56 billion.

Interest rates have been declining since early April, but the budget action was widely seen as the missing element needed for a substantial decline in long-term rates.

Despite three years of inflation at only 4 percent, long-term rates have remained high, largely because huge budget deficits result in record-sized Treasury borrowings and keep alive investors' fears that inflationary pressures will re-emerge.

"Prospects for a lower deficit seem particularly believable, because the President compromised on defense spending," one trader said.

The bond market rally, which had as a feature strong demand from domestic and foreign investors, began overnight Thursday and gained enough momentum so that prices were up as much as one point when New York trading began at about 9 A.M. Friday.

"A major cut in the deficit and a break in oil prices are the two most important developments for the bond market," said Wayne Lyski, a fixed-income portfolio manager at Alliance Capital Management Corp.

Investors who participated in last week's record \$20.5 billion of Treasury note and bond auctions are smiling broadly.

By late Friday the new 10-percent notes were offered at 100 1/2-3/4, up more than 1/4 point, to yield 9.93 percent, compared with a price of 100 to yield 10 percent at Tuesday's auction.

In the long-term bond market, the outstanding 11 1/4-percent bonds due in 2015, which are identical to the 11 1/4-percent issue auctioned Thursday, were offered at 100 1/2, up 1 1/2 points, to yield 11.19 percent. At 1 P.M. Thursday, the additional \$6 billion of 11 1/4-percent bonds sold at about 98 1/2-3/4, to yield 11.38 percent.

U.S. CREDIT MARKETS

ing since early April, but the budget action was widely seen as the missing element needed for a substantial decline in long-term rates.

Despite three years of inflation at only 4 percent, long-term rates have remained high, largely because huge budget deficits result in record-sized Treasury borrowings and keep alive investors' fears that inflationary pressures will re-emerge.

"Prospects for a lower deficit seem particularly believable, because the President compromised on defense spending," one trader said.

The bond market rally, which had as a feature strong demand from domestic and foreign investors, began overnight Thursday and gained enough momentum so that prices were up as much as one point when New York trading began at about 9 A.M. Friday.

"A major cut in the deficit and a break in oil prices are the two most important developments for the bond market," said Wayne Lyski, a fixed-income portfolio manager at Alliance Capital Management Corp.

Investors who participated in last week's record \$20.5 billion of Treasury note and bond auctions are smiling broadly.

By late Friday the new 10-percent notes were offered at 100 1/2-3/4, up more than 1/4 point, to yield 9.93 percent, compared with a price of 100 to yield 10 percent at Tuesday's auction.

In the long-term bond market, the outstanding 11 1/4-percent bonds due in 2015, which are identical to the 11 1/4-percent issue auctioned Thursday, were offered at 100 1/2, up 1 1/2 points, to yield 11.19 percent. At 1 P.M. Thursday, the additional \$6 billion of 11 1/4-percent bonds sold at about 98 1/2-3/4, to yield 11.38 percent.

Figures that talk

Bayerische Vereinsbank Group 31.12.84

(in billion DM)

Total Assets

124.2

Due to Customers

26.9

Due from Customers

28.0

Bonds Issued in Long Term Loan Sector

70.2

Capital Resources

2.5

Staff

13 024

Bayerische Vereinsbank AG
(Union Bank of Bavaria)
New York Branch
335, Madison Avenue
New York, NY 10017
Telephone (212) 210-0300
Telex 62850 ubbuw

Bayerische Vereinsbank
International S.A.
38-40, Avenue Monterey
Boite Postale 481
L-2014 Luxembourg
Telephone 428611
Telex 2654 bvulu

Bayerische Vereinsbank AG
Head Office
International Division
Kardinal-Faulhaber-Strasse 1
D-8000 München 2
Telephone (089) 2132-5293
Telex 52 106-0 bvmd
SWIFT: BVBE DE MM



**BAYERISCHE
VEREINSBANK**
AKTIENGESellschaft

Bond Market Faces New Uncertainty

(Continued from Page 13)

bank bid rate — roughly 37 basis points less than what the British banks are offering.

The market has obviously judged that the higher income on these notes more than compensates for the risk of liquidation of a British clearing bank or omission of dividends. As a result, the Midland offering — like Lloyd's — was raised from the initially indicated \$500 million.

In the ECU market, five issues totaling 195.5 million units were offered last week. Retail investors seem that the roughly 2-percent-age-point give-up on coupon compared to dollar bonds is more than compensated for by the dollar's vulnerability in the foreign-exchange market.

In addition, the market was boosted last week by a decline of almost a quarter-point in short-term ECU rates. This makes it more attractive for banks to take ECU bonds into inventory as they are now paying 9 1/16 percent on one-month deposits but can earn up to 9 1/4 percent holding the bonds.

Philips NV's 75-million, eight-year issue carried a 9-percent coupon — too low to be attractive to bank holders. But the name ap-

pealed to retail customers as demonstrated by the firm price of 99 1/4.

Bankers also report very strong demand for the new DM instruments of zero-coupon bonds and FRNs. The zero-coupon offerings from Commerzbank AG fared somewhat better than Austria's because Commerzbank's was a classic deep-discount offering — 50 percent of face value on its 10-year bonds and 33 1/4 percent on its 15-year issue — compared to Austria's premium-pricing technique where 10-year bonds are redeemed at double their face value and 15-year paper, at triple the face value.

The return to investors — equivalent to 7.18 percent a year on the 10-year paper and 7.46 percent on the 15-year bonds — is identical. But investors prefer the discount purchase price to the premium-redemption price.

While the Bundesbank has insisted that the center of gravity for the new-issue market for Euro-mark bonds remains in West Germany (by insisting that lead managers be banks domiciled in the country), the focus of the secondary market looks like remaining in Luxembourg if not shifting to London.

The problem here is the domestic sales tax — 1/4 percent on domestic transactions with retail clients and

DEGREES

KV
KENNEDY-WESTERN UNIVERSITY

Price	May	Aug.	Nov.
300	725-925	1075-1250	1275-1450
350	725-925	1075-1250	1275-1450
400	725-925	1075-1250	1275-1450
450	725-925	1075-1250	1275-1450
500	725-925	1075-1250	1275-1450
550	725-925	1075-1250	1275-1450
600	725-925	1075-1250	1275-1450
650	725-925	1075-1250	1275-1450
700	725-925	1075-1250	1275-1450
750	725-925	1075-1250	1275-1450
800	725-925	1075-1250	1275-1450
850	725-925	1075-1250	1275-1450
900	725-925	1075-1250	1275-1450
950	725-925	1075-1250	1275-1450
1000	725-925	1075-1250	1275-1450

Valeurs White Weld S.A.
1211 Geneva, Switzerland
Tel. 31 82 51 - Telex 28 383

INVESTMENT STRATEGIES '85
WITH GORBATCHEV
AND REAGAN

What influence will the accession of Gorbachev have on financial and currency markets?

Are the most prepared places of inflation-reduction?

How can we best respond?

All in all, we need:

- PRECIOUS METALS.
- CURRENCIES.
- STOCK INDEXES.
- FINANCIAL FUTURES.

Information 201-38 79 50

Rupert Murdoch: 'Never Be Boring'

(Continued from Page 13)

ties include the New York Post, New York magazine, The Village Voice, The Star, The Times of London, The Boston Herald and The Chicago Sun-Times as well as television stations, book publishing companies, an airline, oil and gas companies and film and record companies.

Mr. Murdoch reportedly is selling the Sun-Times, however, to comply with U.S. regulations that prohibit ownership of a television station and a newspaper in the same market. The Metromedia stations include one in Chicago and one in New York. He has not said what he will do with the Post.

Last week, Mr. Murdoch also said he wanted to sell The Village Voice for \$55 million, and Arthur Levitt Jr., chairman of the American Stock Exchange, is said to be among several individuals and groups considering making bids for the Voice.

Mr. Murdoch has been credited with saving moribund newspapers in an era of failures — more than 100 daily papers have gone out of business in the last 10 years. And he has been criticized for turning many of his papers into tasteless savaganzas of sex, crime, gossip and apocalypse that specialize in headlines that feature the words "miracle," "weird," "crazed," "chilling" and "maniac."

He has also been accused by politicians of turning his newspapers into unashamedly partisan political campaign vehicles for his chosen candidates.

While he appears to enjoy defying journalistic and social conventions, his friends have said the criticism hurts. Publicly he shrugs it off. "It's not my job to be loved," he once reported.

Born on March 11, 1931, Keith Rupert Murdoch grew up in a comfortable suburb of Melbourne.

He likes to think of himself as a newspaper man, and he came by that love through a close relationship with his father, The late Sir Keith Murdoch was the head of

The Melbourne Herald and a dominant figure in Australian journalism.

Young Murdoch attended Oxford University and studied politics, philosophy and economics. He was known as an indifferent student who disliked authority. Although he is politically conservative now, he was active in liberal politics at Oxford and kept a bust of Lenin in his room — a habit that led fellow students to nickname him "Red Rupert."

He spent two years on Fleet Street as a subeditor of The Daily Express and then went home and used the sensational approach to journalism he learned to make his barely profitable family paper, The Adelaide News, more successful. He rewrote headlines and even got into the habit of walking up to newsstands and rearranging newspapers so his own was on top.

He acquired more papers in Australia and in 1969 expanded to Britain, buying News of the World, the weekly with the largest circulation in Britain.

He decided to move to the United States in 1973, about the time he was ostracized by much of London society after he published articles about and photographs of a British politician, Lord Lambton, with a prostitute.

He began his American invasion by buying two newspapers in Texas — the San Antonio Express and San Antonio News — for \$18 million, and immediately headlines such as "Handless Body Found," and "Army to Poison 350 Puppies" began appearing.

But Mr. Murdoch's personal

We proudly
announce
the opening of an
exciting new hotel
that rivals your
favorites in Europe.

The Century Plaza Tower
on Los Angeles' Westside.
Please call
for reservations.



Cable: CENT-PLAZA Telex: 698-664 Dept. T

These securities having been sold, this announcement appears as a matter of record only.



**CHRYSLER
FINANCIAL CORPORATION**

ECU 75,000,000

10.125% Bonds due 30th April, 1993

European Banking Company Limited

Société Générale

Banque Générale du Luxembourg S.A.

Banque Paribas Capital Markets

Merrill Lynch Capital Markets

Orion Royal Bank Limited

Salomon Brothers International Limited

Swiss Bank Corporation International Limited

S.G. Warburg & Co. Ltd.

Banca Commerciale Italiana

Banque Internationale à Luxembourg S.A.

Banque Nationale de Paris

Bayerische Vereinsbank Aktiengesellschaft

Berliner Handels- und Frankfurter Bank

Creditanstalt-Bankverein

Crédit Lyonnais

Credit Suisse First Boston Limited

Deutsche Bank Aktiengesellschaft

Dresdner Bank Aktiengesellschaft

First Interstate Limited

Morgan Guaranty Ltd

Morgan Stanley International

Nippon European Bank S.A. Brussels

Shearson Lehman Brothers International

Union Bank of Switzerland (Securities) Limited

Al Saudi Banque

Banca Nazionale del Lavoro

Bank Gutzwiller, Kurz, Bungenier (Overseas)

Bank Leu International Ltd.

Bank I. Votobel & Co. AG

Banque de Neufville, Schlumberger, Mallet

Banque Paribas Belgique S.A.

Banque de l'Union Européenne

Banque Worms

Barclays Merchant Bank

Caisse Centrale des Banques Populaires

Caisse des Dépôts et Consignations

Cazenove & Co.

Chemical Bank International Group

Compagnie Monégasque de Banque

Copenhague Handelsbank A/S

Crédit Commercial de Belgique S.A.

Crédit du Nord

Crédit Général S.A. de Banque

Crédit Industriel d'Alsace et de Lorraine

Dai-ichi Kangyo International

Dawa Europe

DG BANK

Dominion Securities Plc

Dresel Burnham Lambert

Euromobiliare S.p.A.

Finacur

Gesellschaftliche Zentralbank AG

Girozentrale und Bank der österreichischen Sparkassen

Great Pacific Capital S.A.

Istituto Bancario San Paolo di Torino

Kidder, Peabody International

Kleinwort, Benson

F. van Lanschot Bankiers N.V.

McLeod Young Weir International

Nederlandsche Middenstandsbank N.V.

The Nikko Securities Co., (Europe) Ltd.

Nomura International

PaineWebber International

PK Christiania Bank (UK)

Rabobank Nederland

Sal. Oppenheim jr. & Cie.

Samuel Montagu & Co.

Sanwa International

Société Européenne de Banque S.A.

Société Générale Alsacienne de Banque

Soditic (Jersey)

Strauss Turnbull & Co.

United Overseas Bank (Luxembourg) S.A.

Wood Gundy Inc.

Yamaichi International (Europe) Limited

May, 1985

[illegible][illegible]

[illegible][illegible]

01-361 6852
 TITLES GUIDES, C&S
 75-26
 G (H-3) 723 12 37
 included companion.
 IG 1941 241 21 71,
 English interpreter.
 77 COLOMBIEN, PA
 (214-656-8539)

ETS & GUIDES
H-GENEVA
 ESCORT SERVICE
 08.64 - 0227 34 41 86

ONDON
 ESCORT SERVICE
 -229 4794

URICH
 ESCORT SERVICE
 53 82 - 69 35 04

STERDAM *
 Escort Service, 273657

KITTY *
 SERVICE 2534.96

IFFANY
 ESCORT SERVICE
 02990 & 385 1602

URICH
 Escort Service
 Tel. 01744 76 50

EUROPS ESCORT
 Tel. 040/589 2604-589
 (4 pm to 10 pm)

ESCORT SERVICE
 0151 372/48 (4-12 pm)

VA ESCORT
 Tel. 46 11 58

IA - HEIDT *
 Tel. 29 51 30

ESCORT SERVICE
 & Travel, London SW2.
 0222/32 34 41

HAMBURG - YOUNG Lady companion
 Tel. 041 505 27 04 50
 YOUNG OCEANIC Travel in London
 01-245 002 Airport/Travel
 LOS ANGELES, Tour Guide Service
 213-713-2762
 ATHENS, Lady companion and personal
 attendant, Tel. 01050194

ESCORTS & GUIDES
MADRID EUROPA
 ESCORT SERVICE 241 2841

GENEVA - BEST
 ESCORT SERVICE
 Tel. 022/86 16 95
 CHELSEA ESCORT SERVICE
 51 Beachcroft Park, London SW3.
 Tel. 01 584 6513/2749 (4-12 pm)

LONDON TOP
 ESCORT SERVICE 385 3573

FRANKFURT & SURROUNDINGS
 Caroline's Escort & Travel Service, Eng-
 lish, French, German spoken Tel.
 069 43 57 63

CHARLENE GENEVA
 Guide Service, Tel. 283-397

GENEVA - HELEN ESCORT SERVICE
 Tel. 34 29 25

FRANKFURT AREA - ANGELOU'S
 bilingual Escort & travel service, Tel.
 069 62 88 05, Credit Cards accepted
 DUISBURG - COLOGNE - ZURICH
 Exclusive Escort & Travel Service,
 Tel. 021-6799983

DUISBURG - COLOGNE - BONN
 ESCORT - Central Escort Agency
 Credit cards, 021/304069 or 745556
 AMSTERDAM, Brussels, Antwerp, The
 Hague, Rotterdam, Cologne Escort
 Service, Amsterdam 020-624100

DUISBURG - COLOGNE - BONN
 & areas, Pam's Escort & travel ser-
 vice, All credit cards, 021-375956

LONDON AGENCY
 Tel. 768 5387

LONDON ESCORT SERVICE, Tel. 937
 6574

VIENNA CLEOPATRA Escort Service,
 Tel. 52 73 78 or 47 70 35

NEW YORK Remes & Colonnelle Escort
 Services, 212-228-0870

VIENNA ETOILE ESCORT SERVICE,
 Tel. 54 76 55

VIENNA VIP ESCORT SERVICE, Tel.
 (Vienna) 65 41 38

FRANKFURT & SURROUNDINGS
 Christian's Escort Service, 069/364636

VIENNA - DENNIS ESCORT SERVICE,
 Tel. 22-30-355

LONDON JAGNAPPA ESCORT SER-
 vice, Tel. 01 821 0027

DUISBURG-COLOGNE- Essen-Bonn
 English Escort Service 021/738 91 41

Paris: 747.46.00
 London: 836.4802
 New York: 752.3890
 Frankfurt: 72.67.55
 Hong Kong: 5.420.996

ESCORTS & GUIDES
 NEW YORK REMES' Escort Service
 Tel. 212-228-0870
 FRANKFURT - TVONNEN'S Escort
 and Travel Service, Tel. 069/44 77 75
 MADRID SECTIONS ESCORT SERVICE
 Tel. 01-1052, Credit Cards
 FRANKFURT AREA - French & Male
 escort & travel service, Tel. 62 04 32

MADRID IMPACT escort and guide
 service, Multilingual, 261 4142
 LONDON ZARA ESCORT SERVICE,
 Heathrow/Gatwick, Tel. 834 7745

MUNICH SUPREME ESCORT Service,
 Tel. 089/688035
 FRANKFURT SONIA ESCORT SER-
 vice, Tel. 069-68 42 24

BRUSSELS - ANTOINETTE MATASCHIA
 Escort Service, Tel. 02/7317641
 HEATHROW LONDON ESCORT SER-
 vice, Tel. 914 6682

LONDON LUCY ESCORT & Guide
 Service, Tel. 01-373 0211

MUNICH - PRIVATE ESCORT &
 Guide Service, Tel. 91 23 14
 VIENNA ESCORT AGENCY, Tel. Vien-
 na 37 32 39

AMSTERDAM SYLVIA ESCORT SER-
 vice (0) 20-25191

AMSTERDAM JEANIE Escort Service
 Tel. (020) 236-628 or 340110

MUNICH MICHELLE Escort Service,
 Tel. 91 94 59

NEW YORK CITY, MONIQUE Christen-
 sen, Both Escort Service, 212-609-1756

STUTTGART PRIVATE Escort Service,
 Tel. 0711 7 3821 10

FRANKFURT - PETRA Escort & Travel
 Service, Tel. 069 43 94 05

AMSTERDAM FOUR ROSES Escort
 Service (0) 20-94376

AMSTERDAM, Brussels, Hague, N. Eu-
 rope Escort Service, (020) 904072

LONDON GABRIELLA ESCORT Ser-
 vice, Tel. 020 6241

MUNICH - BLOMY & TANIA Escort
 Service, Tel. 331 79 00 or 331 79 35

DOMINIA, AMSTERDAM Escort
 Guide Service, Tel. (020) 762842

FRANKFURT JENNY ESCORT & travel
 service, Tel. 069/572-710

HAMBURG - SARINNA Escort Ser-
 vice, Tel. 040/36 45 35

POLAND ESCORT Service Frankfurt,
 Tel. 069/63 41 39

HOLLAND - ESCORT SERVICE 020-
 7765, 020-6610, 02077-5685

SCANDINAVIAN ESCORT SERVICE,
 Tel. 01-273 8849

LONDON GEMIE ESCORT SERVICE,
 Tel. 230 7151,

